MOOKGOPHONG LOCAL MUNICIPALITY

Annual Financial Statements
for the year ended 30 June 2014

General Information

Legal form of entity	South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act (Act no 117 of 1998)
Nature of business and principal activities	Mookgophong Local Municipality is a Local Municipality performing functions as set out in constitution (Act no 105 of 1996)
Mayoral committee	
Executive Mayor	Mrs N.S Monyamane
Councillors	Ms K.S Lamola
	Mr S.A Magowa
	Mr L.W Kola
	Ms M.S Langa
	Mr H.P Louw
	Mr S.P Mafuna
	Mr J.H Kleynhans
	Mr C.N vd Merwe
Grading of local authority	Grade 2
Chief Finance Officer (CFO)	Mr.D.Eksteen
Accounting Officer	Mr.O.P Sebola (Acting)
Business address	Municipal Offices Nelson Mandela Drive Mookgophong 0560
Postal address	Private Bag X340 Mookgophong 0560
Bankers	Standard Bank
Auditors	Auditor General of South Africa
Preparer	The annual financial statements were internally compiled by: Mr. D. Eksteen Chief Financial Officer
Chief Whip	Mr. M.R Kekana

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The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

The following supplementary information does not form part of the annual financial statements and is unaudited:

Appendixes:

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Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
UIF	Unemployment Insurance Fund
SDL	Skills Development Levy

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality’s business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality’s cash flow forecast for the year to 30 June 2015 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The annual financial statements are prepared on the basis that the municipality is a going concern and that the Mookgophong Local Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

The Auditor General is responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 5.

The annual financial statements set out on pages 5 to 84, which have been prepared on the going concern basis, were approved by the Accounting Officer 29 August 2014 and were signed on its behalf by:

Mr.O.P Sebola (Acting)
Accounting Officer

Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2014.

1. Review of activities

Main business and operations

The municipality is engaged in Mookgophong and Roedtan/Thusang and is a Local Municipality performing functions as set out in constitution (Act no 105 of 1996) and operates principally in South Africa.

The operating results and state of affairs of the municipality are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

2. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

3. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year.

4. Accounting Officer's interest in contracts

The accounting officer does not have an interest in any of the contracts entered into during the current financial year.

5. Accounting policies

The annual financial statements prepared in accordance with the South African Statements of Generally Accepted Accounting Practice (GAAP), including any interpretations of such Statements issued by the Accounting Practices Board, and in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

6. Non-current assets

No major changes in the nature or the policy relating to the use of the non-current assets of the municipality occurred during the year.

7. Accounting Officer

The accounting officer of the municipality during the year and to the date of this report is as follows:

Name	Nationality
Mr.O.P Sebola (Acting)	RSA

8. Bankers

Accounts were held with Standard Bank Limited during the year.

9. Auditors

Auditor General of South Africa will continue in office for the next financial period.

Statement of Financial Position as at 30 June 2014

Figures in Rand	Note(s)	2014	2013
Assets			
Current Assets			
Cash and cash equivalents	3	1 015 362	339 922
Construction contracts and receivables	4	934 318	-
Consumer debtors	5	18 612 964	12 461 977
Inventories	6	1 224 445	1 014 902
Receivables from non-exchange transactions	7	38 641 515	25 735 186
		60 428 604	**39 551 987**
Non-Current Assets			
Intangible assets	8	100 957	151 426
Investment property	9	17 012 753	10 831 165
Property, plant and equipment	10	199 363 882	214 986 644
		216 477 592	**225 969 235**
Non-current assets held for sale and assets of disposal groups	18	493 601	60 700
Total Assets		**277 399 797**	**265 581 922**
Liabilities			
Current Liabilities			
Bank overdraft	3	-	6 331 879
Consumer deposits	11	3 521 152	3 389 191
Finance Lease Liabilities	13	549 144	39 740
Payables from exchange transactions	14	50 972 161	21 025 087
Employee benefit obligation	12	5 140 715	4 150 121
Unspent conditional grants and receipts	16	6 972 330	9 600 692
VAT payable	17	1 894 737	3 250 727
		69 050 239	**47 787 437**
Non-Current Liabilities			
Employee benefit obligation	12	19 423 739	15 287 274
Finance Lease Liabilities	13	710 801	-
Provisions	15	8 909 591	7 966 908
		29 044 131	**23 254 182**
Total Liabilities		**98 094 370**	**71 041 619**
Net Assets		**179 305 427**	**194 540 303**
Accumulated surplus		179 305 427	194 540 303

Statement of Financial Performance

Figures in Rand	Note(s)	2014	2013
Revenue			
Revenue from exchange transactions			
Income from agency services	19	4 217 658	4 768 656
Interest earned - outstanding receivables	20	5 849 367	3 849 884
Interest received - external investments	21	97 217	297 819
Other Revenue	22	1 315 796	645 617
Rental of facilities and equipment	23	260 538	147 889
Service charges	24	46 675 764	41 792 267
Total revenue from exchange transactions		**58 416 340**	**51 502 132**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	25	21 748 627	16 902 220
Transfer revenue			
Fines	26	283 828	43 463
Government grants & subsidies	27	43 615 362	47 965 910
Total revenue from non-exchange transactions		**65 647 817**	**64 911 593**
Total revenue	28	**124 064 157**	**116 413 725**
Expenditure			
Bulk purchases	29	35 095 115	32 125 353
Contracted services	30	6 942 278	7 431 131
Debt impairment	31	67 732	(2 495 645)
Depreciation and asset impairment	32	25 959 074	16 716 510
Employee Costs	33	47 897 880	42 351 462
Finance costs	34	3 822 998	1 343 086
General Expenses	35	16 997 619	16 443 975
Materials	36	5 296 986	4 156 022
Remuneration of councillors	37	3 148 355	2 858 289
Total expenditure		**145 228 037**	**120 930 183**
Operating deficit		**(21 163 880)**	**(4 516 458)**
Gain on disposal of assets and liabilities	39	1 253 628	-
Fair value adjustments	38	4 675 374	-
		5 929 002	**-**
Deficit for the year		**(15 234 878)**	**(4 516 458)**

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	199 377 897	199 377 897
Balance at 01 July 2012 as restated*	**199 377 897**	**199 377 897**
Changes in net assets		
Surplus for the year	(11 327 832)	(11 327 832)
Total changes	(11 327 832)	(11 327 832)
Opening balance as previously reported	188 050 082	188 050 082
Adjustments		
Prior period error (note 46)	6 490 223	6 490 223
Balance at 01 July 2013 as restated*	**194 540 305**	**194 540 305**
Changes in net assets		
Surplus for the year	(15 234 878)	(15 234 878)
Total changes	(15 234 878)	(15 234 878)
Balance at 30 June 2014	**179 305 427**	**179 305 427**

Cash Flow Statement

Figures in Rand	Note(s)	2014	2013
Cash flows from operating activities			
Receipts			
Cash receipts from ratepayers, government and others		60 179 886	57 397 529
Grants		44 187 000	39 612 998
		104 366 886	97 010 527
Payments			
Employee costs		(51 046 235)	(45 209 751)
Cash paid to suppliers and employees		(33 203 877)	(39 051 452)
Finance costs		(3 822 998)	(1 343 085)
		(88 073 110)	(85 604 288)
Net cash flows from operating activities	41	**16 293 776**	**11 406 239**
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(10 428 284)	(18 298 058)
Proceeds from sale of property, plant and equipment	10	1 608 597	-
Net cash flows from investing activities		**(8 819 687)**	**(18 298 058)**
Cash flows from financing activities			
Repayment of finance lease liability		(466 770)	(224 594)
Net increase/(decrease) in cash and cash equivalents		**7 007 319**	**(7 116 413)**
Cash and cash equivalents at the beginning of the year		(5 991 957)	1 124 456
Cash and cash equivalents at the end of the year	3	**1 015 362**	**(5 991 957)**

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2014											
Financial Performance											
Property rates	19 969 000	1 400 000	21 369 000	-		21 369 000	21 748 627		379 627	102 %	109 %
Service charges	57 826 000	(4 600 000)	53 226 000	-		53 226 000	46 675 764		(6 550 236)	88 %	81 %
Investment revenue	40 000	-	40 000	-		40 000	97 217		57 217	243 %	243 %
Transfers recognised - operational	33 435 000	-	33 435 000	-		33 435 000	32 554 000		(881 000)	97 %	97 %
Other own revenue	7 301 000	2 000 000	9 301 000	-		9 301 000	17 856 189		8 555 189	192 %	245 %
Total revenue (excluding capital transfers and contributions)	**118 571 000**	**(1 200 000)**	**117 371 000**	**-**		**117 371 000**	**118 931 797**		**1 560 797**	**101 %**	**100 %**
Employee costs	(42 894 000)	-	(42 894 000)	-	-	(42 894 000)	(47 897 880)	-	(5 003 880)	112 %	112 %
Remuneration of councillors	(3 034 000)	(250 000)	(3 284 000)	-	-	(3 284 000)	(3 148 355)	-	135 645	96 %	104 %
Debt impairment	-	-	-			-	(67 732)	-	(67 732)	- %	- %
Depreciation and asset impairment	(17 244 000)	500 000	(16 744 000)			(16 744 000)	(25 959 074)	-	(9 215 074)	155 %	151 %
Finance charges	-	-	-	-	-	-	(3 822 998)	-	(3 822 998)	- %	- %
Materials and bulk purchases	(41 914 000)	(1 000 000)	(42 914 000)	-	-	(42 914 000)	(40 392 101)	-	2 521 899	94 %	96 %
Other expenditure	(26 076 000)	2 000 000	(24 076 000)	-	-	(24 076 000)	(23 939 897)	-	136 103	99 %	92 %
Total expenditure	**(131 162 000)**	**1 250 000**	**(129 912 000)**	**-**	**-**	**(129 912 000)**	**(145 228 037)**	**-**	**(15 316 037)**	**112 %**	**111 %**
Surplus/(Deficit)	**(12 591 000)**	**50 000**	**(12 541 000)**	**-**		**(12 541 000)**	**(26 296 240)**		**(13 755 240)**	**210 %**	**209 %**

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	14 852 000	-	14 852 000	-		14 852 000	11 061 362		(3 790 638)	74 %	74 %
Surplus (Deficit) after capital transfers and contributions	**2 261 000**	**50 000**	**2 311 000**	**-**		**2 311 000**	**(15 234 878)**		**(17 545 878)**	**(659)%**	**(674)%**
Surplus/(Deficit) for the year	**2 261 000**	**50 000**	**2 311 000**	**-**		**2 311 000**	**(15 234 878)**		**(17 545 878)**	**(659)%**	**(674)%**
Capital expenditure and funds sources											
Sources of capital funds											
Transfers recognised - capital	14 852 000	(1 600 000)	13 252 000	-		13 252 000	9 027 806		(4 224 194)	68 %	61 %
Internally generated funds	4 050 000	(1 200 000)	2 850 000	-		2 850 000	934 318		(1 915 682)	33 %	23 %
Total sources of capital funds	**18 902 000**	**(2 800 000)**	**16 102 000**	**-**		**16 102 000**	**9 962 124**		**(6 139 876)**	**62 %**	**53 %**

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Cash flows											
Net cash from (used) operating	20 805 000	-	20 805 000	-		20 805 000	16 293 776		(4 511 224)	78 %	78 %
Net cash from (used) investing	(18 902 000)	-	(18 902 000)	-		(18 902 000)	(8 819 687)		10 082 313	47 %	47 %
Net cash from (used) financing	-	-	-	-		-	(466 770)		(466 770)	- %	- %
Net increase/(decrease) in cash and cash equivalents	**1 903 000**	**-**	**1 903 000**	**-**		**1 903 000**	**7 007 319**		**5 104 319**	**368 %**	**368 %**
Cash and cash equivalents at the beginning of the year	1 612 000	-	1 612 000	-		1 612 000	(5 991 957)		(7 603 957)	(372)%	(372)%
Cash and cash equivalents at year end	**3 515 000**	**-**	**3 515 000**	**-**		**3 515 000**	**1 015 362**		**2 499 638**	**29 %**	**29 %**

Significant differences between the budgeted and the actual amounts, as well as the reasons for the differences were disclosed in note 57.

Appropriation Statement

Figures in Rand

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
2013				
Financial Performance				
Property rates				16 902 220
Service charges				41 792 267
Investment revenue				297 819
Transfers recognised - operational				29 287 322
Other own revenue				9 455 509
Total revenue (excluding capital transfers and contributions)				**97 735 137**
Employee costs	-	-	-	(42 351 462)
Remuneration of councillors	-	-	-	(2 858 289)
Debt impairment	-	-	-	2 495 645
Depreciation and asset impairment	-	-	-	(16 716 510)
Finance charges	-	-	-	(1 343 086)
Materials and bulk purchases	-	-	-	(32 125 353)
Other expenditure	-	-	-	(28 031 128)
Total expenditure	**-**	**-**	**-**	**(120 930 183)**
Surplus/(Deficit)				**(23 195 046)**
Transfers recognised - capital				18 678 588
Surplus (Deficit) after capital transfers and contributions				**(4 516 458)**
Surplus/(Deficit) for the year				**(4 516 458)**
Capital expenditure and funds sources				
Total capital expenditure				18 298 058
Sources of capital funds				
Transfers recognised - capital				(18 298 058)

Appropriation Statement

Figures in Rand

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
Cash flows				
Net cash from (used) operating				11 406 239
Net cash from (used) investing				(18 298 058)
Net cash from (used) financing				(224 594)
Net increase/(decrease) in cash and cash equivalents				**(7 116 413)**
Cash and cash equivalents at the beginning of the year				1 124 456
Cash and cash equivalents at year end				**(5 991 957)**

Accounting Policies

1. Presentation of Annual Financial Statements

These annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003) and prescribed by the Minister of Finance in terms of:

- Government Notice 991 of 2005, issued in Government Gazette no. 28095 of 15 December 2005;
- Government Notice 992 of 2005, issued in Government Gazette no. 28095 of 15 December 2005; and
- Government Notice 516 of 2008, issued in Government Gazette no. 31021 of 9 May 2008
- Government Notice 80 of 2011, issued in Government Gazette no. 33991 of 2 Feb 2011.

The standards comprise of the following:

GRAP 1 Presentation of Financial statements
GRAP 2 Cash Flow Statements
GRAP 3 Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 4 The Effects of Changes in Foreign Exchange Rates
GRAP 5 Borrowing Costs
GRAP 6 Consolidated and Seperate Financial Statements
GRAP 7 Investments in Associates
GRAP 8 Interests in Joint Ventures
GRAP 9 Revenue from Exchange Transactions
GRAP 10 Financial Reporting in Hyperinflationary Economies
GRAP 11 Construction Contracts
GRAP 12 Inventories
GRAP 13 Leases
GRAP 14 Events After the Reporting Date
GRAP 16 Investment Property
GRAP 17 Property, Plant and Equipment
GRAP 19 Provisions, Contingent Liabilities and Contingent Assets
GRAP 23 Revenue from non-exchange Transactions
GRAP 100 Non-current Assets Held for Sale and Discontinued Operations
GRAP 101 Agriculture
GRAP 102 Intangible Assets

Directives and Guidelines form part of the GRAP Reporting Framework. The ASB Directive and Guidelines applicable to Mookgophong Local Municipality comprise of the following:

Directive 1 Repeal of Existing Transitional Provisions in, and Consequential Amendments to, Standards of GRAP.
Directive 4 Transitional Provisions for the Adoption of Standards of GRAP by Medium and Low Capacity Municipalities.
Directive 5 Determining the GRAP Reporting Framework.
Directive 7 The Application of Deemed Cost on the Adoption of the Standards of GRAP.

Effective IFRSs and IFRICs that are applied considering the provisions in paragraph 21 to 27 of Directive 5 applicable to Mookgophong Local Municipality comprise the following:

IFRS 7 Financial Instruments: Disclosures
IAS 19 Employee Benefits
IAS 32 Financial Instruments: Presentation
IAS 36 Impairment of Assets
IAS 39 Financial Instruments: Recognition and Measurement
IFRIC 4 Determining whether an Arrangement contains a Lease
IFRIC 14 / IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

As from 1 July 2008, all GAMAP Standards have been retracted. Accounting policies for material transactions, events or conditions not covered by the above GRAP Standards have been developed in accordance with section 29 of ASB Directive 5 or paragraph 12 of GRAP 3. Exemptions that were given from complying with certain standards in terms of clause 2(2) of Government Notice 522 issued in Government Gazette no. 30013 of 29 June 2007, have been lifted since the 2008/09 financial year.

The principal accounting policies adopted in the preparation of these annual financial statements are set out below. These accounting policies applied are consistent with those used in the previous financial year, unless explicitly stated.

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of

Accounting Policies

GRAP.

These accounting policies are consistent with the previous period.

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.3 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Trade receivables / Held to maturity investments and/or loans and receivables

The municipality assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note.

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the end of the reporting period.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the [name a key assumption] assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including [list entity specific variables, i.e. production estimates, supply demand], together with economic factors such as [list economic factors such as exchange rates inflation interest].

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 15 - Provisions.

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 12.

Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.4 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

At initial recognition,the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or nominal value), it's cost is it's fair value as at the date of acquisition.

1.4 Investment property (continued)

The cost of self-constructed investment property is the cost as at date of completion.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Fair value

Subsequent to initial measurement investment property is measured using the fair value model.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the entity becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

1.5 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one reporting period.

The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost or fair value of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as seperate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset as at the date of acquisition.

Accounting Policies

1.5 Property, plant and equipment (continued)

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or assets, or a combination of assets and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and servicing equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses, except for Land, Buildings and Community assets which are carried at revalued amounts, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

It is the policy of the municipality to revalue the Land, Buildings and Community assets once every five year. Management is of the opinion that this is sufficiently regular to ensure taht the carrying value does not differ materially from that which would be determined using fair value at the end of the reporting period.

An increase in the carrying amount of an asset as a result of revaluation is credited directly to a revaluation surplus reserve, except to the extent that it reserves a revaluation decrease of the same asset previously recognised in surplus or deficit.

A decrease in the carrying amount of an asset as a result of revaluation is recognised in surplus or deficit, except to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity of future economic benefits associated with the asset.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

The revaluation surplus included in net assets related to a specific item of property, plant and equipment is transferred directly to accumulated surplus or deficit when the asset is derecognised.

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Land (including investment assets), heritage assets and artwork are not depreciated as it is deemed to have an indefinite useful life. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated seperately. The annual depreciation rates are based on the following estimated average useful lives:

Item	**Average useful life**
Infrastructure	
• Roads and Paving	10 to 25 years
• Electricity Networks	20 to 30 years
• Water Networks	15 to 20 years
• Sewerage Networks	15 to 20 years

Accounting Policies

1.5 Property, plant and equipment (continued)

Community

• Sport Facilities	30 years
• Cemeteries	30 years
• Libraries and Halls	30 years
• Parks and gardens	30 years

Other property, plant and equipment

• Buildings	30 years
• Office equipment	3 to 7 years
• Office Furniture	7 to 10 years
• Bins and Containers	5 to 10 years
• Motor Vehicles	5 to 20 years
• Plant and Equipment	2 to 15 years
• Security Measures	3 to years

The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable services amount), it is written down immediately to its recoverable amount (or recoverable services amount) and an impairment loss is charged to the Statement of Financial Performance.

The municipality has taken advantage of the transitional provisions provided in GRAP 17 Property, Plant and Equipment whereby in terms of section 77 of Directive 4 municipalities are not required to measure property, plant and equipment for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standards of GRAP on Property, Plant and Equipment. GRAP 17 was initially adopted on 1 July 2008. The balance on the financial statements which is affected by this transitional provision is Property, Plant and Equipment.

The progress towards achieving full compliance with the measurement requirements of GRAP 17 Property Plant and Equipment and IAS 36, Impairment of Assets, are that an annual asset count was conducted to confirm the completeness and validity of the asset register. An asset register was implemented which accommodates the new requirements. The depreciation and net book value of assets will be reviewed to correct comparative figures in the financial statements ending 30 June 2014.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use or disposal of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.6 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as ‘decommissioning, restoration and similar liabilities’. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

1.6 Site restoration and dismantling cost (continued)

If the related asset is measured using the cost model:
- (a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- (b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- (c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

If the related asset is measured using the revaluation model:
- (a) changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
  - a decrease in the liability (subject to (b)) is credited to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit
  - an increase in the liability is recognised in surplus or deficit, except that it is debited to the revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.
- (b) in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit; and
- (c) a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit or net assets under (a). If a revaluation is necessary, all assets of that class are revalued.

1.7 Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licences, and development costs. The municipality recognises an intangible asset in it's Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

An asset is identifiable if it either:
- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:
- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Accounting Policies

1.7 Intangible assets (continued)

Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:
- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are subsequently carried at cost less any accumulated amortisation and any impairment losses. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite , the asset is not amortised but is subject to an annual impairment test.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	**Useful life**
Computer software	5 years

The amortisation period and the amortisation method for intangible asset with limited useful lives are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests intangible assets with limited useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

Intangible assets are derecognised:
- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

1.8 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

1.8 Financial instruments (continued)

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:
- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:
- cash;
- a residual interest of another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:
- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

1.8 Financial instruments (continued)

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

1.8 Financial instruments (continued)

Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Cash and Cash Equivalents	Financial asset measured at amortised cost
Consumer Debtors	Financial asset measured at amortised cost
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Unspent conditional grants and receipts	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at amortised cost
VAT Payable	Financial liability measured at amortised cost

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The entity measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:
- Financial instruments at amortised cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

1.8 Financial instruments (continued)

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:
- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity :
  - derecognise the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continue to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

Accounting Policies

1.8 Financial instruments (continued)

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

1.9 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Municipality as the lessor

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease installments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

1.9 Leases (continued)

Municipality as the lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are accrued on a straight-line basis over the term of the relevant lease.

Contingent rentals are not straight-lined or included in the projected future minimum operating lease expenses / receipts in the note to the financial statements.

1.10 Inventories

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.
Subsequently inventories, consisting of consumables stores, are measured at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in the net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written of or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

1.11 Construction contracts and receivables

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs.

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

Accounting Policies

1.11 Construction contracts and receivables (continued)

When it is probable that total contract costs will exceed total contract revenue, the expected deficit is recognised as an expense immediately.

1.12 Non-current assets held for sale and disposal groups

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets held for sale (or disposal group) are subsequently measured at the lower of it's carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

1.13 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset’s future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm’s length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

(a) the period of time over which an asset is expected to be used by the municipality; or
(b) the number of production or similar units expected to be obtained from the asset by the municipality.

Accounting Policies

1.13 Impairment of cash-generating assets (continued)

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also test a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Basis for estimates of future cash flows

In measuring value in use the municipality:

- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

Composition of estimates of future cash flows

Estimates of future cash flows include:

- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:

- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the municipality expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Accounting Policies

1.13 Impairment of cash-generating assets (continued)

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset’s revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:
- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:
- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

Accounting Policies

1.13 Impairment of cash-generating assets (continued)

Reversal of impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

1.14 Impairment of non-cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Accounting Policies

1.14 Impairment of non-cash-generating assets (continued)

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:
- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Criteria developed by the municipality to distinguish non-cash-generating assets from cash-generating assets are as follow:
[Specify criteria]

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also test a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Accounting Policies

1.14 Impairment of non-cash-generating assets (continued)

Reversal of an impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset’s recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset’s revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.15 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of an municipality after deducting all of its liabilities.

1.16 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity’s own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- an entity’s decision to terminate an employee’s employment before the normal retirement date; or
- an employee’s decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an entity’s actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Accounting Policies

1.16 Employee benefits (continued)

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:
- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:
- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

Accounting Policies

1.16 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:
- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
- those changes were enacted before the reporting date; or
- past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

Other post retirement obligations

The municipality provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The municipality also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:
- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The entity shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

Long-service allowance

The municipality has an obligation to provide long-service allowance benefits to all of its employees. According to the rules of the long-service allowance scheme, which the municipality instituted and operates an employee (who is on the current conditions of service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25, 30, 35, 40 and 45 years of continued service. The municipality's liability is based on an actuarial valuation. The projected unit credit method is used to value the liabilities. Actuarial gains and losses on the long-term service incentives are accounted for through the statement of financial performance.

Accounting Policies

1.17 Provisions and contingencies

Provisions are recognised when:
- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The municipality do recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:
a.) The municipality has a detailed formal plan for the restructuring identifying at least:
- the business or part of a business concerned;
- the principal locations affected;
- the location, function, and approximate number of employees who will be compensated for terminating their services;
- the expenditures that will be undertaken; and
- when the plan will be implemented; and

b.) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing it's main features to those affected by it.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 43.

Accounting Policies

1.17 Provisions and contingencies (continued)

Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

If the related asset is measured using the cost model:
- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity test the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.13 and 1.14.

If the related asset is measured using the revaluation model:
- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
  - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
  - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;
- in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit;
- a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit and net assets. If a revaluation is necessary, all assets of that class is revalued; and
- the Standard of GRAP on Presentation of Financial Statements requires disclosure on the face of the statement of changes in net assets of each item of revenue or expense that is recognised directly in net assets. In complying with this requirement, the change in the revaluation surplus arising from a change in the liability is separately identified and disclosed as such.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur. This applies under both the cost model and the revaluation model.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

1.18 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Accounting Policies

1.18 Revenue from exchange transactions (continued)

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:
- the municipality has transferred to the consumer the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Adjustments to consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse containers per property.

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved from Council and are levied monthly.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licences and permits.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

1.19 Revenue from non-exchange transactions

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, a deferred income (liability) is recognised.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Accounting Policies

1.19 Revenue from non-exchange transactions (continued)

Taxes

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The municipality analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for income tax is the earning of assessable income during the taxation period by the taxpayer.

The taxable event for value added tax is the undertaking of taxable activity during the taxation period by the taxpayer.

The taxable event for customs duty is the movement of dutiable goods or services across the customs boundary.

The taxable event for estate duty is the death of a person owning taxable property.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

Grants, transfers and donations

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

Revenue from grants is recognised to the extent that there has been compliance with any restrictions associated with the grant.

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement.

Unutilised conditional grants are reflected in the Statement of Financial Position as a current liability.

Fines

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with an estimate of spot fines and summonses that will be received based on past experience of amounts collected.

1.20 Turnover

Turnover comprises of sales to customers and service rendered to customers. Turnover is stated at the invoice amount and is exclusive of value added taxation.

1.21 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.22 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in surplus or deficit when incurred.

1.23 Comparative figures

Budget information in accordance with GRAP 1 and 24, has been provided in an annexure to these financial statements and forms part of the unaudited annual financial statements.

When the presentation or classification of items in the unaudited annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.24 Unauthorised expenditure

Unauthorised expenditure means:
- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003). Unauthorised expenditure is accounted for as a receivable in the Statement of Financial Position after an investigation by the Council's Municipal Public Accounts Committee determined the liability to repay the expenditure and Council took a final decision on the matter. Where recovered, it is subsequently accounted as a decrease in receivables in the Statement of Financial Position.

1.25 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

Fruitless and wasteful expenditure is accounted for as a receivable in the Statement of Financial Position after an investigation by the Council's Municipal Public Accounts Committee determined the liability to repay the expenditure and Council took a final decision on the matter. Where recovered, it is subsequently accounted as a decrease in receivables in the Statement of Financial Position.

1.26 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -
(a) this Act; or
(b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
(c) any provincial legislation providing for procurement procedures in that provincial government.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No 32 of 2000), the Public Office Bearers Act (Act No 20 of 1998) or is in contravention of the municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as a receivable in the Statement of Financial Position after an investigation by the Council's Municipal Public Accounts Committee determined the liability to repay the expenditure and Council took a final decision on the matter. Where recovered, it is subsequently accounted for as a decrease in receivables in the Statement of Financial Position.

Accounting Policies

1.26 Irregular expenditure (continued)

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

1.27 Reserves

GRAP 9 does not require that a municipality should keep any reserves and/ or be disclosed in the Statement of Financial Position. All surplus funds are therefore disclosed as part of Accumulated Surplus account

1.28 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisation's (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a accrual basis and presented by functional classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2013/07/01 to 2014/06/30.

The budget for the economic entity includes all the entities approved budgets under its control.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

1.29 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

1.29 Related parties (continued)

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.
The municipality do not have other related entities over which a substantial influence could be exercised in the outcome of any financial transaction.

Notes to the Annual Financial Statements

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

GRAP 25: Employee benefits

The objective of GRAP25 is to prescribe the accounting and disclosure for employee benefits. The Standard requires an municipality to recognise:

- a liability when an employee has provided service in exchange for employee benefits to be paid in the future; and
- an expense when an municipality consumes the economic benefits or service potential arising from service provided by an employee in exchange for employee benefits.

GRAP25 must be applied by an employer in accounting for all employee benefits, except share based payment transactions.

GRAP25 defines, amongst others, the following:

- Employee benefits as all forms of consideration given by an municipality in exchange for service rendered by employees;
- Defined contribution plans as post-employment benefit plans under which an municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods;
- Defined benefit plans as post-employment benefit plans other than defined contribution plans;
- Multi-employer plans as defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that:
  - pool the assets contributed by various entities that are not under common control; and
  - use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the municipality that employs the employees concerned;
- Other long-term employee benefits as employee benefits (other than post-employment benefits and termination benefits) that is not due to be settled within twelve months after the end of the period in which the employees render the related service;
- Post-employment benefits as employee benefits (other than termination benefits) which are payable after the completion of employment;
- Post-employment benefit plans as formal or informal arrangements under which an municipality provides post-employment benefits for one or more employees;
- Short-term employee benefits as employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service;
- State plans as plans other than composite social security programmes established by legislation which operate as if they are multi-employer plans for all entities in economic categories laid down in legislation;
- Termination benefits as employee benefits payable as a result of either:
  - an entity's decision to terminate an employee's employment before the normal retirement date; or
  - an employee's decision to accept voluntary redundancy in exchange for those benefits;
- Vested employee benefits as employee benefits that are not conditional on future employment.

The standard states the recognition, measurement and disclosure requirements of:

- Short-term employee benefits;
  - All short-term employee benefits;
  - Short-term compensated absences;
  - Bonus, incentive and performance related payments;
- Post-employment benefits: Defined contribution plans;
- Other long-term employee benefits;
- Termination benefits.

The standard states Post-employment benefits: Distinction between defined contribution plans and defined benefit plans:

- Multi-employer plans;
- Defined benefit plans where the participating entities are under common control;
- State plans;
- Composite social security programmes;

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)
- Insured benefits.

The standard states, for Post-employment benefits: Defined benefit plans, the following requirements:
- Recognition and measurement;
- Presentation;
- Disclosure;
- Accounting for the constructive obligation;
- Statement of financial position;
- Asset recognition ceiling;
- Asset recognition ceiling: When a minimum funding requirement may give rise to a liability;
- Statement of financial performance.

The standard prescribes recognition and measurement for:
- Present value of defined benefit obligations and current service cost:
  - Actuarial valuation method;
  - Attributing benefits to periods of service;
  - Actuarial assumptions;
  - Actuarial assumptions: Discount rate;
  - Actuarial assumptions: Salaries, benefits and medical costs;
  - Actuarial gains and losses;
  - Past service cost.
- Plan assets:
  - Fair value of plan assets;
  - Reimbursements;
  - Return on plan assets.

The standard also deals with Entity combinations and Curtailments and settlements.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 April 2013.

The municipality has adopted the standard for the first time in the 2014 annual financial statements.

The impact of the standard is not material.

GRAP 1 (as revised 2012): Presentation of Financial Statements

Paragraphs .108 and .109 were amended by the improvements to the Standards of GRAP issued previously:

Amendments were made to the Statement of Financial Performance as well as the Statement of Changes in Net Assets.

All amendments to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013

The municipality has adopted the amendment for the first time in the 2014 annual financial statements.

The impact of the amendment is not material.

GRAP 3 (as revised 2012): Accounting Policies, Change in Accounting Estimates and Errors

Paragraphs .17 and .18 were amended by the improvements to the Standards of GRAP issued previously:

Amendments were made to Changes in Accounting Policies.

The effective date of the amendment is for years beginning on or after 01 April 2013

The municipality has adopted the amendment for the first time in the 2014 annual financial statements.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The impact of the amendment is not material.

GRAP 9 (as revised 2012): Revenue from Exchange Transactions

Paragraphs .11 and .13 were amended by the improvements to the Standards of GRAP issued previously:

Amendments were made to the Scope and Definitions.

All amendments to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality has adopted the amendment for the first time in the 2014 annual financial statements.

The impact of the amendment is not material.

GRAP 12 (as revised 2012): Inventories

Paragraph .30 was amended by the improvements to the Standards of GRAP issued previously:

Amendments were made to Measurement after recognition.

All amendments to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality has adopted the amendment for the first time in the 2014 annual financial statements.

The impact of the amendment is not material.

GRAP 13 (as revised 2012): Leases

Paragraphs .38 and .42 were amended by the improvements to the Standards of GRAP issued previously:

Amendments were made to Disclosures.

All amendments to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality has adopted the amendment for the first time in the 2014 annual financial statements.

The impact of the amendment is not material.

GRAP 16 (as revised 2012): Investment Property

Paragraphs .12, .15, .34, .76, .84 and .87 were amended by the improvements to the Standards of GRAP issued previously:

Amendments were made to Definitions, Measurement at recognition, Disposals and Disclosure.

All amendments to be applied prospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality has adopted the amendment for the first time in the 2014 annual financial statements.

The impact of the amendment is not material.

GRAP 17 (as revised 2012): Property, Plant and Equipment

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

Paragraphs .44, .45, .72, .75, .79 and .85 were amended by the improvements to the Standards of GRAP issued previously:

Amendments were made to Measurement after recognition, Derecognition and Disclosure.

All amendments to be applied prospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality has adopted the amendment for the first time in the 2014 annual financial statements.

The impact of the amendment is not material.

GRAP 31 (as revised 2012): Intangible Assets (Replaces GRAP 102)

Numerous paragraphs were amended by the improvements to the Standards of GRAP issued previously:

Changes made comprise 3 areas that can be summarised as follows:
- Consequential amendments arising from the alignment of the accounting treatment and text of GRAP 102 with that in IPSAS 31,
- The deletion of guidance and examples from Interpretations issues by the IASB previously included in GRAP102,
- Changes to ensure consistency between the Standards, or to clarify existing principles.

All amendments to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality has adopted the amendment for the first time in the 2014 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

IGRAP16: Intangible assets website costs

An entity may incur internal expenditure on the development and operation of its own website for internal or external access. A website designed for external access may be used for various purposes such as to disseminate information, for example annul reports and budgets, create awareness of services, request comment on draft legislation, promote and advertise an entity’s own services and products, for example the E-filing facility of SARS that enables taxpayers to complete their annual tax assessments, provide electronic services and list approved supplier details. A website designed for internal access may be used to store an entity’s information, for example policies and operating procedures, and details of users of a service, and other relevant information.

The stages of a website’s development can be described as follows:
- Planning – includes undertaking feasibility studies, defining objectives and specifications, evaluating alternatives and selecting preferences.
- Application and infrastructure development – includes obtaining a domain name, purchasing and developing hardware and operating software, installing developed applications and stress testing.
- Graphical design development – includes designing the appearance of web pages.
- Content development – includes creating, purchasing, preparing and uploading information, either text or graphic, on the website before the completion of the website’s development. This information may either be stored in separate databases that are integrated into (or accessed from) the website or coded directly into the web pages.

Once development of a website has been completed, the operating stage begins. During this stage, an entity maintains and enhances the applications, infrastructure, graphical design and content of the website.

When accounting for internal expenditure on the development and operation of an entity’s own website for internal or external access, the issues are:
- whether the website is an internally generated intangible asset that is subject to the requirements of the Standard of GRAP on Intangible Assets; and
- the appropriate accounting treatment of such expenditure.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

This Interpretation of Standards of GRAP does not apply to expenditure on purchasing, developing, and operating hardware (eg web servers, staging servers, production servers and internet connections) of a website. Such expenditure is accounted for under the Standard of GRAP on Property, Plant and Equipment. Additionally, when an entity incurs expenditure on an internet service provider hosting the entity's website, the expenditure is recognised as an expense under the paragraph .93 in the Standard of GRAP on Presentation of Financial Statements and the Framework for the Preparation and Presentation of Financial Statements when the services are received.

The Standard of GRAP on Intangible Assets does not apply to intangible assets held by an entity for sale in the ordinary course of operations (see the Standards of GRAP on Construction Contracts and Inventories) or leases that fall within the scope of the Standard of GRAP on Leases. Accordingly, this Interpretation of Standards of GRAP does not apply to expenditure on the development or operation of a website (or website software) for sale to another entity. When a website is leased under an operating lease, the lessor applies this Interpretation of Standards of GRAP. When a website is leased under a finance lease, the lessee applies this Interpretation of Standards of GRAP after initial recognition of the leased asset.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality has adopted the amendment for the first time in the 2014 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

2.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2014 or later periods:

GRAP 20: Related parties

The objective of this standard is to ensure that a reporting entity's annual financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

An entity that prepares and presents financial statements under the accrual basis of accounting (in this standard referred to as the reporting entity) shall apply this standard in:
- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between an entity and its related parties;
- identifying the circumstances in which disclosure of the items in (a) and (b) is required; and
- determining the disclosures to be made about those items.

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This standard also applies to individual annual financial statements.

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users' assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

The standard states that a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:
- A person or a close member of that person's family is related to the reporting entity if that person:
  - has control or joint control over the reporting entity;
  - has significant influence over the reporting entity;
  - is a member of the management of the entity or its controlling entity.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

- An entity is related to the reporting entity if any of the following conditions apply:
  - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);
  - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);
  - both entities are joint ventures of the same third party;
  - one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - the entity is a post-employment benefit plan for the benefit of employees of either the entity or an entity related to the entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;
  - the entity is controlled or jointly controlled by a person identified in (a); and
  - a person identified in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

The standard furthermore states that related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

The standard elaborates on the definitions and identification of:

- Close member of the family of a person;
- Management;
- Related parties;
- Remuneration; and
- Significant influence

The standard sets out the requirements, inter alia, for the disclosure of:

- Control;
- Related party transactions; and
- Remuneration of management

The effective date of the standard is for years beginning on or after 01 April 2014.

The municipality expects to adopt the standard for the first time in the 2015 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

IGRAP1 (as revised 2012):Applying the probability test on initial recognition of revenue

Paragraphs .03, .04, .05, .06, .08 and .10, were amended and paragraph .02 was added in the Interpretation of the Standards of GRAP.

This Interpretation of the Standards of GRAP now addresses the manner in which an entity applies the probability test on initial recognition of both:

(a) exchange revenue in accordance with the Standard of GRAP on Revenue from Exchange Transactions and

(b) non-exchange revenue in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

This Interpretation of the Standards of GRAP supersedes the Interpretation of the Standards of GRAP: Applying the Probability Test on Initial Recognition of Exchange Revenue issued in 2009.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality has adopted the amendment for the first time in the 2014 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP108: Statutory Receivables

The objective of this Standard is: to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

It furthermore covers: Definitions, recognition, derecognition, measurement, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister set the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

IGRAP17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset

This Interpretation of the Standards of GRAP provides guidance to the grantor where it has entered into a service concession arrangement, but only controls, through ownership, beneficial entitlement or otherwise, a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease. This Interpretation of the Standards of GRAP shall not be applied by analogy to other types of transactions or arrangements.

A service concession arrangement is a contractual arrangement between a grantor and an operator in which the operator uses the service concession asset to provide a mandated function on behalf of the grantor for a specified period of time. The operator is compensated for its services over the period of the service concession arrangement, either through payments, or through receiving a right to earn revenue from third party users of the service concession asset, or the operator is given access to another revenue-generating asset of the grantor for its use.

Before the grantor can recognise a service concession asset in accordance with the Standard of GRAP on Service Concession Arrangements: Grantor, both the criteria as noted in paragraph .01 of this Interpretation of the Standards of GRAP need to be met. In some service concession arrangements, the grantor only controls the residual interest in the service concession asset at the end of the arrangement, and can therefore not recognise the service concession asset in terms of the Standard of GRAP on Service Concession Arrangements: Grantor.

A consensus is reached, in this Interpretation of the Standards of GRAP, on the recognition of the performance obligation and the right to receive a significant interest in a service concession asset.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister set the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

The aggregate impact of the initial application of the statements and interpretations on the municipality's annual financial statements is expected to be as follows:

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

3. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank overdraft	-	(6 331 879)
Call deposits	889 434	333 612
Cash on hand	6 310	6 310
Bank balances	119 618	-
	1 015 362	**(5 991 957)**

Current assets	1 015 362	339 922
Current liabilities	-	(6 331 879)
	1 015 362	**(5 991 957)**

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2014	30 June 2013	30 June 2012	30 June 2014	30 June 2013	30 June 2012
Absa Bank 1080570097	-	122 082	1 078 979	-	(6 331 879)	(5 418 329)
Standard Bank 348714239	-	-	5 020 712	-	-	5 020 712
Standard Bank Call Deposit 348714238 - 003	849 453	137 597	1 536 474	849 453	137 597	1 536 474
Absa Bank Call Account 40-7807-8429	-	196 015	-	-	196 015	-
Absa Bank Call Account 92-86511-602	39 981	-	-	39 982	-	-
Standard Bank Current Account 03170232500	119 618	-	-	119 618	-	-
Total	**1 009 052**	**455 694**	**7 636 165**	**1 009 053**	**(5 998 267)**	**1 138 857**

4. Construction contracts and receivables

Contracts in progress at statement of financial position date

Construction contracts and receivables	934 318	-

Advances received in excess of work completed are included in trade and other payables.

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

5. Consumer debtors

	2014	2013
Gross balances		
Electricity	15 911 192	13 822 881
Other	2 306 266	2 148 553
Refuse	3 598 798	2 313 154
Sewerage	5 049 776	3 419 134
Water	5 753 521	4 697 112
	32 619 553	**26 400 834**
Less: Allowance for impairment		
Electricity	(7 012 950)	(7 298 071)
Other	(879 911)	(1 134 372)
Refuse	(1 627 222)	(1 221 276)
Sewerage	(1 887 554)	(1 805 202)
Water	(2 598 952)	(2 479 936)
	(14 006 589)	**(13 938 857)**
Net balance		
Electricity	8 898 242	6 524 810
Other	1 426 355	1 014 181
Refuse	1 971 576	1 091 878
Sewerage	3 162 222	1 613 932
Water	3 154 569	2 217 176
	18 612 964	**12 461 977**
Electricity		
Current (0 -30 days)	1 894 604	3 161 603
31 - 60 days	1 071 064	774 547
61 - 120 days	1 123 453	597 649
120 - 365 including >365 days	11 324 351	367 393
Payments received in advance	497 721	291 545
Less impairment	(7 012 951)	1 332 073
	8 898 242	**6 524 810**
Water		
Current (0 -30 days)	374 832	533 186
31 - 60 days	335 399	303 475
61 - 120 days	466 910	280 215
120 - 365 including >365 days	4 263 319	218 629
Payments received in advance	313 061	180 024
Less impairment	(2 598 952)	701 647
	3 154 569	**2 217 176**
Sewerage		
Current (0 -30 days)	207 138	358 616
31 - 60 days	237 685	203 560
61 - 120 days	402 973	172 168
120 - 365 including >365 days	3 146 484	158 096
Payments received in advance	1 055 497	145 301
Less impairment	(1 887 555)	576 191
	3 162 222	**1 613 932**
Refuse		
Current (0 -30 days)	207 857	356 058

Notes to the Annual Financial Statements

Figures in Rand	2014	2013
5. Consumer debtors (continued)		
31 - 60 days	178 373	185 367
61 - 120 days	347 287	147 539
120 days - 365 including >365 days	2 736 941	129 210
Payments received in advance	128 340	114 601
Less impairment	(1 627 222)	159 103
	1 971 576	**1 091 878**
Other		
Current (0 -30 days)	119 350	52 887
31 - 60 days	33 659	22 119
61 - 120 days	43 234	22 201
120 -365 including >365 days	1 849 341	21 757
Payments received in advance	260 682	20 224
Less impairment	(879 911)	874 993
	1 426 355	**1 014 181**

Summary of debtors by customer classification

	2014	2013
Household Consumers		
Current (0 -30 days)	6 222 189	3 232 330
31 - 60 days	1 997 330	4 113 874
61 - 90 days	1 481 629	4 407 722
91 - 365 including >365 days	27 582 923	17 630 889
	37 284 071	29 384 815
Less: Allowance for impairment	(7 313 341)	(11 296 363)
	29 970 730	**18 088 452**
Industrial/ commercial		
Current (0 -30 days)	3 524 810	1 787 119
31 - 60 days	1 336 749	2 274 515
61 - 90 days	999 140	2 436 981
91 - 120 days	1 824 010	2 924 377
121 - 365 days	18 534 011	6 823 546
	26 218 720	16 246 538
Less: Allowance for impairment	(6 693 248)	(6 244 573)
	19 525 472	**10 001 965**
National and provincial government		
Current (0 -30 days)	668 715	609 139
31 - 60 days	317 639	775 267
61 - 90 days	486 357	830 644
91 - 120 days	250 182	996 773
121 - 365 days	5 726 900	2 325 803
	7 449 793	**5 537 626**
Total		
Current (0 -30 days)	10 415 714	5 628 588
31 - 60 days	3 651 718	7 163 656
61 - 90 days	2 967 126	7 675 347
91 - 120 days	2 074 192	3 921 150
121 - 365 including >365 days	51 843 834	26 780 238
	70 952 584	51 168 979
Less: Allowance for impairment	(14 006 589)	(13 938 858)
	56 945 995	**37 230 121**

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

5. Consumer debtors (continued)

	2014	2013
Less: Allowance for impairment		
> 365 days	(14 006 589)	(13 938 857)

	2014	2013
Reconciliation of allowance for impairment		
Balance at beginning of the year	(13 938 857)	(10 601 957)
Contributions to allowance	(67 732)	(3 336 900)
	(14 006 589)	**(13 938 857)**

6. Inventories

	2014	2013
Consumables store	1 202 298	1 000 156
Water	22 147	14 746
	1 224 445	**1 014 902**

7. Receivables from non-exchange transactions

	2014	2013
Rates debtors	38 026 467	24 768 146
Other Debtors	219 335	-
Other deposits	148 324	299 939
Other receivables from non-exchange revenue	247 389	667 101
	38 641 515	**25 735 186**

8. Intangible assets

	2014			2013		
	Cost / Valuation	**Accumulated amortisation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation and accumulated impairment**	**Carrying value**
Computer software	924 521	(823 564)	100 957	924 521	(773 095)	151 426

Reconciliation of intangible assets - 2014

	Opening balance	**Amortisation**	**Total**
Computer software	151 426	(50 469)	100 957

Reconciliation of intangible assets - 2013

	Opening balance	**Amortisation**	**Total**
Computer software	245 849	(94 423)	151 426

Other information

Intangible assets with finite useful lives consists of:

Computer software licences and the right to use computerised programmes.

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

9. Investment property

	2014			2013		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Investment property	17 012 753	-	17 012 753	10 831 165	-	10 831 165

Reconciliation of investment property - 2014

	Opening balance	**Transfers**	**Fair value adjustments**	**Total**
Investment property	10 831 165	1 506 213	4 675 375	17 012 753

Reconciliation of investment property - 2013

	Opening balance	**Correction of error**	**Total**
Investment property	11 563 608	(732 443)	10 831 165

Pledged as security

No investment property asset was pledged as security for any financial liability

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.All property listed as investment property is land available for township establishment. Council placed a moratorium on township establishment due to the fact that the water; electricity and waste water services are currently operating on overloaded capacities.

No rental income is currently received from investment property as all investment property is undeveloped land.

The effective date of the revaluations was 1 July 2013. Revaluations were performed by Uniqueco Properties (Pty) Ltd with registration number 2008/027309/07, who acted independently from the municipality to revalue the non-current assets, and have expert experience in the location and categorising of the investment property being valued.
The valuation was based on open market value for existing use. These assumptions are based on current market conditions.

The cost approach was used where little or no market information was available.

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Valuations based on fair value are executed each fourth year, simultaneously with the general updating of the Municipal Valuation Roll.

10. Property, plant and equipment

	2014			2013		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Buildings	56 640 378	(16 693 245)	39 947 133	58 068 956	(5 173 302)	52 895 654
Community	6 144 203	(1 366 408)	4 777 795	6 144 703	(665 739)	5 478 964
Infrastructure	244 450 696	(111 596 157)	132 854 539	230 209 095	(99 788 444)	130 420 651
Other property, plant and equipment	22 321 019	(18 785 320)	3 535 699	25 252 049	(21 889 068)	3 362 981
Work in progress	18 248 716	-	18 248 716	22 828 394	-	22 828 394
Total	**347 805 012**	**(148 441 130)**	**199 363 882**	**342 503 197**	**(127 516 553)**	**214 986 644**

Reconciliation of property, plant and equipment - 2014

	Opening balance	**Additions**	**Disposals**	**Classified as held for sale**	**Transfers**	**Depreciation**	**Impairment loss**	**Total**
Land and buildings	52 895 654	464 669	-	(493 601)	(1 511 213)	(2 326 419)	(9 081 957)	39 947 133
Community	5 478 964	-	(403)	-	-	(700 766)	-	4 777 795
Infrastructure	130 420 651	647 525	(12 313)	-	13 607 485	(10 891 145)	(917 664)	132 854 539
Other property, plant and equipment	3 362 981	2 439 927	(337 253)	60 700	-	(1 857 566)	(133 090)	3 535 699
Work in progress	22 828 394	9 027 807	-	-	(13 607 485)	-	-	18 248 716
	214 986 644	**12 579 928**	**(349 969)**	**(432 901)**	**(1 511 213)**	**(15 775 896)**	**(10 132 711)**	**199 363 882**

The municipality has donated R293 land to the Limpopo Department of Local Government and Housing in 1998 (now called Co-operative Governance and traditional affairs) to be allocated to previously disadvantaged communities that did not own land prior to 1994. The allocated properties were not transferred yet into the benificiaries names and are therefore still registered in the name of the Municipality. This land is however not reflected on the Municipality's asset register as it was rightfully allocated to third parties not under the control of the Municipality and hence the proper value of the assets could not be ascertained.

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2013

	Opening balance	Additions	Correction of errors	Classified as held for sale	Transfers	Depreciation	Impairment loss	Total
Buildings	53 426 373	2 025 791	117 967	-	-	(2 538 340)	(136 137)	52 895 654
Community	6 102 548	-	-	-	-	(623 584)	-	5 478 964
Infrastructure	148 897 659	15 923 936	-	-	(22 828 394)	(11 572 550)	-	130 420 651
Other property, plant and equipment	4 568 220	348 331	258 608	(60 700)	-	(1 751 478)	-	3 362 981
Work in progress	-	-	-	-	22 828 394	-	-	22 828 394
	212 994 800	**18 298 058**	**376 575**	**(60 700)**	**-**	**(16 485 952)**	**(136 137)**	**214 986 644**

Pledged as security

No property, plant and equipment was pledged as security for any financial liability.

Revaluations

The Municipality adopted the accounting policy based on GRAP 17, relating to Property, Plant and Equipment, effected from 1 July 2010, but only implemented it within the 2011 financial statements. Price Waterhouse Coopers Combined Systems (Pty) Ltd, acted independent from the Municipality to revalue the non-current assets.

The valuation was performed using a fair value for land and buildings and the cost model for other assets where sufficient history was available.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

11. Consumer deposits

Electricity and Water	3 521 152	3 389 191

Consumer deposits are raised when a services account is opened and is refunded to the consumer after the account is closed. No interest is paid to the municipality for deposits held on behalf of consumers.

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

11. Consumer deposits (continued)

There are no guarantees held in lieu of electricity and water deposits.

12. Employee benefit obligations

Defined benefit plan

Post retirement health care benefits:
The Municipality offers employees and continued members the opportunity of belonging to one of several medical aid schemes, most of which offer a range of options pertaining to levels of cover. In-service members who joined the Municipality on or before 1 December 2005 will receive a post-employment subsidy of 60% of the contribution payable, except for four of the older continuation members who are receiving a 70% subsidy. Widow(er)s and orphans of eligible in-service members are entitled to receive this same subsidy on and after the death of an in-service employee. Upon a member's death-in-service or death-in-retirement the surviving dependants will continue to receive the same subsidy between 60% and 70%.

Arch Actuarial Consulting CC was appointed by the Municipality to determine the actuarial valuations towards the post employment health care benefits.

The municipality contributes towards the following defined benefit plans:
- Key Health
- Bonitas
- LA Health
- SAMWUmed

The annual contributions towards the above medical funds including for post-retirement benefits, have been expensed and are included in employee related costs for the year, however the long term obligation for continuous members are provided as follows :

In estimating the liability for post-employment health care benefits a number of assumptions are required. GRAP 25 Statement places the responsibility on management to set these assumptions as guided by the principles set out in the Statement and in discussion with the actuary.

It should be noted that the valuation method and assumptions do not affect the ultimate cost of the post-employment health care arrangement – this is determined by actual experience and by the benefits provided. The method and assumptions influence how the past service liability and future-service costs are recognised over time.

The amounts recognised in the statement of financial position are as follows:

	2014	2013
Carrying value		
Provision for post employment health care benefits	17 380 087	13 365 118
Provision for leave	4 409 121	3 513 876
Provision for 13th cheque	731 593	636 245
Provision for long service awards	2 043 652	1 922 156
Employee benefit obligation	19 423 739	15 287 274
Non-current liabilities	19 423 739	15 287 274
Current liabilities	5 140 715	4 150 121
	24 564 454	**19 437 395**

No fair value as there are no plan assets.

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

12. Employee benefit obligations (continued)

Net expense recognised in the statement of financial performance

Employee benefits - Post Retirement Medical Aid		
Actuarial (gains) losses	3 222 581	3 231 359
Contributions / Employer Benefit Payments	(502 944)	(255 216)
Current service cost	197 396	196 188
Interest cost	1 097 936	743 150
	4 014 969	**3 915 481**

Provision for leave		
Interest and current service cost	1 617 567	-
Expenditure during the year	(722 322)	795 318
Contributions to the provision	-	(322 523)
	895 245	**472 795**

Provision for long service awards		
Interest and current service cost	435 251	382 542
Expected benefit vestings	(261 805)	(165 693)
Actuarial (Gain) / Loss	(51 950)	(102 393)
	121 496	**114 456**

Provision for 13th cheque payments		
Expenditure during the year	95 348	-
Contributions to the provision	-	87 004
	95 348	**87 004**

Key assumptions used

The key financial assumptions used at the reporting date is as follows:

Discount rates used	8.89 %	8.37 %
Health care cost inflation	8.10 %	7.40 %
Net effective discount rate	0.73 %	0.90 %

The demographic key assumptions used at the reporting date is as follows:
- Average retirement rate: 63 (2013: 63)
- Continuation of membership after retirement: 98% (2013: 98%)
- Proportion assumed married at retirement: 90% (2013: 90%)
- Mortality during employment: 85 - 90 (2013: SA 85 - 90)
- Mortality post-retirement: PA (90) - 1 (2013: PA(90) - 1]

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

12. Employee benefit obligations (continued)

Sensitivity Analysis

Assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed healthcare cost trends rates would have the following effects:

	One percentage point increase	One percentage point decrease
Effect on the aggregate of the service cost and interest cost	1 533 200	1 104 800

Amounts for the current and previous years are as follows:

	2014	2013	2012	2011	2010
Present value of the defined benefit obligation - post employment health care benefits	R 17 380 087	R 13 365 118	R 9 449 637	R 8 238 080	R 6 924 971

Defined contribution plan

The municipality contributes towards the following defined contribution pension plans:

- SAMWU Provident Fund
- National Fund for municipal workers
- Municipal Gratuity Fund
- Municipal Employee Fund
- Joint Municipal Pension Fund
- Municipals Councillors Pension Fund
- Government Employee Pension Fund
- SALA Pension Fund
- National Fund for Municipal Workers - 2% Fund
- Imatu Pension Fund

The annual contributions towards the above pension funds have been expensed and included in employee related costs for the year. Refer to note 33.

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

13. Finance Lease Liabilities

Minimum lease payments due		
- within one year	712 938	40 087
- in second to fifth year inclusive	780 561	-
	1 493 499	40 087
less: future finance charges	(233 555)	(348)
Present value of minimum lease payments	**1 259 944**	**39 739**

Non-current liabilities	710 801	-
Current liabilities	549 144	39 740
	1 259 945	**39 740**

It is municipal policy to lease certain property, plant and equipment under finance leases.

The municipality entered into a finance lease agreement with Callsave. The lease agreement was entered into on 1 September 2013. The monthly lease payment amounts to R38 366.54. The lease term is 3 years. The effective interest rate was 17.65%.

The municipality entered into a finance lease agreement with Panasonic. The lease agreement was entered into on 1 September 2013. The monthly lease payments amounts to R21 044.98. The lease term is 3 years. The effective interest rate was 13.30%.

The municipality entered into a finance lease agreement with Nashua. The lease agreement was entered into on 1 December 2012 and ended on 30 July 2013. The monthly lease payments amounts to R40 087.39 . The effective interest rate was 10.5% (2013: 10.5%).

Interest rates are linked to prime at the contract date using the incremental borrowing rate of interest.

All leases have fixed repayments and no arrangements have been entered into for contingent rent.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets.
Refer note 10

14. Payables from exchange transactions

Other Creditors	3 100 756	296 449
Payments received in advance	5 840 141	3 081 932
Retentions	2 183 852	2 580 363
Trade payables	39 847 412	15 066 343
	50 972 161	**21 025 087**

Notes to the Annual Financial Statements

Figures in Rand

15. Provisions

Reconciliation of provisions - 2014

	Opening Balance	Interest and current service cost	Actuarial Loss / (Gain)	Total
Provision for rehabilitation of landfill sites	7 966 908	478 014	464 669	8 909 591

Reconciliation of provisions - 2013

	Opening Balance	Expenditure for the year	Current service and interest costs	Total
Provision for rehabilitation of landfill sites	5 454 875	2 025 790	486 243	7 966 908

Provision for the rehabilitation of landfill sites

The provision for rehabilitation of landfill sites relates to the legal obligation to rehabilitate landfill sites used for waste disposal. It's calculation is based on the present value of the future obligation, discounted at 6% over an average period of 87 years.

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

15. Provisions (continued)

Provision for long-service awards

Long-service awards are payable to employees, with 5 year intervals, starting from 10 years continuous service. The provision is an estimate of the long-service based on historical staff turnover. Arch Actuarial Consulting CC was appointed by the Municipality to determine the actuarial valuations towards the long-service awards obligation.

Key assumptions

The financial and demographic key assumptions used are as follows:

The key demographic assumptions used at the reporting date:
Average retirement rate of 63 years (2013: 63 years of age) and the mortality during employment was between 85 - 90 (2013: 85 to 90). The key demographic assumptions were consistent with that of the prior year.

	One percentage point increase	One percentage point decrease
Effect on the aggregate of the service cost and interest cost	468 500	405 900

Net expense recognised in the statement of financial performance

The net expense recognised in the statement of financial performance is as follows:.

Amount included in employee related costs		
Actuarial (Gain)/Loss recognised in P/L	(51 950)	(102 393)
Current service cost	303 914	268 849
Employer benefit vestings	(261 805)	(165 693)
Interest cost	131 337	113 693
	121 496	**114 456**

16. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Grant from Waterberg District Council	61 112	61 112
Housing Grant	2 901 261	2 901 261
Lotto Grant	137 300	137 300
Municipal Infrastructure Grant	3 872 657	6 501 019
	6 972 330	**9 600 692**

Movement during the year

Additions during the year	15 173 000	19 720 000
Balance at the beginning of the year	9 600 692	17 953 603
Income recognition during the year	(17 801 362)	(28 072 911)
	6 972 330	**9 600 692**

See note 27 for the reconciliation of the grants and subsidies received from National/Provincial Government.

These amounts are not invested in ring-fenced investments.

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

17. VAT payable

VAT Receivable	(47 840 805)	(38 715 039)
Vat Payable	52 351 525	43 157 004
Differences due to cash versus accrual basis	(2 615 983)	(1 191 238)
	1 894 737	**3 250 727**

The Municipality is registered on the receipt basis for VAT purposes. This means that VAT is only paid to SARS once payment is received from debtors and claimable when payments were effected to suppliers.

18. Discontinued operations or disposal groups or non-current assets held for sale

The assets and liabilities of the disposal group are set out below.

The decision was made by the council to discontinue these operations due the lack of return on investment.

The non-current assets are to be sold piecemeal.

The disposal are expected to be completed by 2015/01/01.

19. Income from agency services

Fire Fighting	1 299 866	1 693 416
Vehicle Licences	2 917 792	3 075 240
	4 217 658	**4 768 656**

20. Interest received - outstanding receivables

Interest received on trade and other receivables	5 849 367	3 849 884

21. Investment revenue

Interest revenue		
Interest earned on current accounts and investments	97 217	297 819

22. Other revenue

Connection and reconnection fees	28 038	5 082
Insurance claims and Cemetery fees	545 458	63 420
Sundry Income	742 300	577 115
	1 315 796	**645 617**

23. Rental of facilities and equipment

Rental of facilities	260 538	147 889

24. Service charges

Refuse removal	4 309 755	3 590 843
Sale of electricity	33 112 438	30 475 731
Sale of water	5 167 168	3 950 644
Sewerage and sanitation charges	4 086 403	3 775 049
	46 675 764	**41 792 267**

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

25. Property rates

Rates received

Agricultural	5 934 800	6 084 015
Commercial	3 642 370	2 560 561
Municipal & other	350 600	123 522
Residential	10 888 675	7 313 996
State	932 182	820 126
	21 748 627	**16 902 220**

Valuations

Residential	1 913 249 410	1 513 146 486
Commercial	388 270 477	283 454 865
Agricultural	3 978 206 706	2 901 279 838
Municipal & other	74 153 300	31 392 800
State	80 880 200	58 880 929
	6 434 760 093	**4 788 154 918**

Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 2013. Interim valuations are processed on a monthly basis to take into account changes in individual property values due to alterations and subdivisions. The valuation roll was certified on 28 February 2013 by the Municipal Manager.

26. Fines

Late Returns: Library Books	3 683	5 903
Traffic Fines	280 145	37 560
	283 828	**43 463**

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

27. Government grants and subsidies

Operating grants

Equitable share	29 014 000	25 758 000
Expanded Public Works Programme Grant	1 000 000	1 000 000
Financial Management Grant	1 650 000	1 729 322
Municipal Systems Improvement Grant	890 000	800 000
	32 554 000	29 287 322
Capital grants		
Municipal Infrastructure Grant	11 061 362	18 678 588
	11 061 362	18 678 588
	43 615 362	**47 965 910**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants	14 601 362	22 207 910
Unconditional grants	29 014 000	25 758 000
	43 615 362	**47 965 910**

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members and for the running of operations within the municipality.

Housing Grant

Balance unspent at beginning of year	2 901 261	2 901 261

Conditions still to be met - remain liabilities (see note 16). The unspent portion is due to the housing projects not concluded.

Finance Management Grant

Current-year receipts	1 650 000	1 729 322
Conditions met - transferred to revenue	(1 650 000)	(1 729 322)
	-	-

Municipal Infrastructure Grant

Balance unspent at beginning of year	6 501 019	14 624 608
Conditions met - transferred to revenue	(11 061 362)	(18 678 588)
Current-year receipts	11 633 000	16 420 000
Revert to National Treasury	(3 200 000)	(5 865 001)
	3 872 657	**6 501 019**

Conditions still to be met - remain liabilities (see note 16).

The intention of the grant is to provide funding for infrastructural capital projects. The unspent amount is committed to capital projects still under construction.

Lotto Grant

Balance unspent at beginning of year	137 300	137 300

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

27. Government grants and subsidies (continued)

Conditions still to be met - remain liabilities (see note 16). Unspent amount due to projects not concluded.

Municipal Systems Improvement Grant

Conditions met - transferred to revenue	(890 000)	(800 000)
Current-year receipts	890 000	800 000
	-	-

Expanded Public Works Programme Grant

Current-year receipts	1 000 000	1 000 000
Conditions met - transferred to revenue	(1 000 000)	(1 000 000)
	-	-

Waterberg District Council Grant-in-aid (Welgevonden Pipeline)

Balance unspent at beginning of year	61 112	61 112

Conditions still to be met - remain liabilities (see note 16). Unspent amount due to projects not concluded.

Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, (Act 5 of 2013), dated 31 March 2013, no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

Reconciliation of grants from National/Provincial Government

Operating Grants		
National Government	32 554 000	29 287 322
Capital Grants		
National Government	11 061 362	18 678 588

Revenue recognised per vote as required by Section 123(c) of the MFMA:

Community and social services	1 000 000	1 000 000
Executive and Council	31 554 000	28 287 322
Infrastructure	11 061 362	18 678 588
	43 615 362	**47 965 910**

28. Revenue

Fines	283 828	43 463
Government grants & subsidies	43 615 362	47 965 910
Income from agency services	4 217 658	4 768 656
Interest received - investment	97 217	297 819
Interest received (trading)	5 849 367	3 849 884
Miscellaneous other revenue	1 315 796	645 617
Property rates	21 748 627	16 902 220
Rental of facilities and equipment	260 538	147 889
Service charges	46 675 764	41 792 267
	124 064 157	**116 413 725**

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

28. Revenue (continued)

The amount included in revenue arising from exchanges of goods or services are as follows:		
Income from agency services	4 217 658	4 768 656
Interest received - investment	97 217	297 819
Interest received (trading)	5 849 367	3 849 884
Other revenue	1 315 796	645 617
Rental of facilities and equipment	260 538	147 889
Service charges	46 675 764	41 792 267
	58 416 340	**51 502 132**

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	21 748 627	16 902 220
Transfer revenue		
Government grants & subsidies	43 615 362	47 965 910
Fines	283 828	43 463
	65 647 817	**64 911 593**

29. Bulk purchases

Electricity	35 095 115	32 125 353

30. Contracted services

Computer Software Licences	529 523	834 809
Dumping Site Maintenance	620 366	1 016 823
Legal Fees	1 938 943	1 111 696
Rental Photocopier	190 486	301 359
Security Services	2 458 091	928 434
Short Term Insurance	170 030	603 594
Tax Consultancy & Other Services	282 790	1 029 180
Telephone & Cellphone Costs	529 615	679 015
Valuation Costs	222 434	926 221
	-	-
	6 942 278	**7 431 131**

31. Debt impairment

Debt impairment	67 732	(2 495 645)

32. Depreciation and amortisation

Property, plant and equipment	25 959 074	16 716 510

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

33. Employee related costs

Acting allowances	424 606	940 342
Basic	22 577 046	20 084 860
Bonus	1 829 308	1 598 109
Cellphone Allowances	544 316	579 440
Chauffer and data card allowance	60 000	41 300
Defined contribution plans	9 632 152	9 013 607
Housing benefits and allowances	40 168	47 406
Leave pay provision charge	-	19 006
Long-service awards	(4 141)	365 616
Medical aid - company contributions	2 501 942	2 452 489
Night Shift Allowance	109 382	73 824
Other payroll levies	15 251	14 447
Overtime payments	3 771 882	3 010 155
Protective Clothing Allowances	45 213	122 826
SDL	361 436	309 793
Standby Allowances	841 819	652 388
Tool Allowances	8 471	9 345
Travel, motor car, accommodation, subsistence and other allowances	2 176 524	1 075 326
UIF	279 996	177 928
	45 215 371	**40 588 207**

Remuneration of municipal manager

Allowances	224 554	37 425
Annual Remuneration	665 213	112 088
Contributions to UIF, Medical and Pension Funds	10 233	1 717
	900 000	**151 230**

Remuneration of chief finance officer

Allowances	223 167	210 000
Annual Remuneration	663 422	618 884
Contributions to UIF, Medical and Pension Funds	10 867	9 684
Leave Payout	65 053	-
	962 509	**838 568**

Remuneration of executive directors

Allowances	167 667	139 880
Annual Remuneration	497 070	575 266
Contributions to UIF, Medical and Pension Funds	155 263	58 311
	820 000	**773 457**

Total employee cost including remuneration of Chief Financial Officer, Municipal Manager and Executive Directors

Salaries excluding the separate remuneration disclosure	45 215 371	40 588 207
Remuneration of Chief Financial Officer	962 509	838 568
Remuneration of Municipal Manager	900 000	151 230
Remuneration of Executive Directors	820 000	773 457
	47 897 880	**42 351 462**

34. Finance costs

Interest cost	3 822 998	1 343 086

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

35. General expenses

Advertising & communication	193 968	246 181
Audit committee and internal audit	175 575	213 498
Audit fees	1 975 124	1 965 957
Bank charges	193 463	315 340
Capacity building	330 533	210 056
Collection costs	341 437	298 651
Conferences and delegations	245 114	194 188
Indigent Relief	3 177 356	3 575 042
Insurance	365 747	-
Integrated Development Planning Review	190 034	283 932
Mayoral community work programmes	394 071	845 565
Membership fees	341 330	120 903
Other expenses	2 315 448	2 421 259
Postage	187 661	187 721
Refreshments	8 651	18 163
Telephone and fax	80 000	-
Travel and subsistence	1 036 034	850 097
Utilisation of conditional grants	1 626 337	1 844 745
Vehicle costs	3 819 736	2 852 677
	16 997 619	**16 443 975**

36. Materials

Buildings	119 503	220 263
Electricity network	1 239 001	1 368 719
Furniture and office equipment	757	505
Land and fencing	2 801	45 996
Machinery and equipment	232 045	328 521
Open public areas	36 630	7 667
Other materials	1 312 971	1 114 316
Radio's	23 137	765
Sport fields	17 975	30 316
Street Lights	54 531	76 784
Streets and pavements	76 173	290 984
Traffic signs and road markings	46 574	85 891
Water network	2 134 888	585 295
	-	-
	5 296 986	**4 156 022**

37. Remuneration of councillors

Mayor	659 151	627 932
Other councillors	644 619	517 925
Chief Whip	500 480	476 817
Chairperson Sec 79 Committee	1 368 411	1 243 566
Overpayment transferred to receivables	(24 306)	(7 951)
	3 148 355	**2 858 289**

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

37. Remuneration of councillors (continued)

In-kind benefits

The Mayor and Chief Whip are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The Mayor is entitled to make use of a Council owned vehicle for official duties and make use of a full-time driver as well as a full-time security guard at the expense of the Council.

Mayor - Mrs NS Monyamane		
Basic Salary	405 611	379 620
Travel Allowance	154 263	151 115
Cellphone Allowance	20 287	19 872
Data Card	3 600	3 600
Council Contribution	75 390	73 725
	659 151	**627 932**

Chief Whip - Mr MR Kekana		
Basic Salary	300 599	284 348
Travel Allowance	115 695	113 336
Cellphone Allowance	20 287	19 872
Data Card	3 600	3 600
Council Contribution	60 299	55 661
	500 480	**476 817**

Chairperson Sec 79 Committee - Ms KS Lamola		
Basic Salary	166 663	154 989
Travel Allowance	83 616	58 179
Cellphone Allowance	15 926	12 396
Data Card	3 600	3 600
Council Contribution	23 240	19 549
	293 045	**248 713**

Chairperson Sec 79 Committee - Mr SA Magowa		
Basic Salary	158 327	147 885
Travel Allowance	59 391	58 179
Cellphone Allowance	15 926	12 396
Data Card	3 600	3 600
Council Contribution	31 659	26 653
	268 903	**248 713**

Chairperson Sec 79 Committee - Mr LW Kola		
Basic Salary	166 664	154 989
Travel Allowance	59 391	58 179
Cellphone Allowance	15 926	12 396
Data Card	3 600	3 600
Council Contribution	23 240	19 549
	268 821	**248 713**

Chairperson Sec 79 Committee - Ms MS Langa		
Basic Salary	166 664	154 989
Travel Allowance	59 391	58 179
Cellphone Allowance	15 926	12 396
Data Card	3 600	3 600
Council Contribution	23 240	19 549
	268 821	**248 713**

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

37. Remuneration of councillors (continued)

Chairperson Sec 79 Committee - Mr SP Mafuna		
Basic Salary	166 664	154 989
Travel Allowance	59 391	58 179
Cellphone Allowance	15 926	12 396
Data Card	3 600	3 600
Council Contribution	23 240	19 549
	268 821	**248 713**

Councillor - Ms E Boshof		
Basic Salary	-	70 903
Travel Allowance	-	30 223
Cellphone Allowance	-	8 264
Data Card	-	2 400
Council Contribution	-	11 465
	-	**123 255**

Councillor - Mr HP Louw		
Basic Salary	130 959	118 934
Travel Allowance	46 279	45 335
Cellphone Allowance	15 926	12 396
Data Card	3 600	3 600
Council Contribution	18 109	17 070
	214 873	**197 335**

Councillor - Mr JH Kleynhans		
Basic Salary	149 068	135 862
Travel Allowance	46 279	45 335
Cellphone Allowance	15 926	12 396
Data Card	3 600	3 600
Council Contribution	-	142
	214 873	**197 335**

Councillor - Mr CN van der Merwe		
Basic Salary	149 068	-
Travel Allowance	46 279	-
Cellphone Allowance	15 926	-
Data Card	3 600	-
	214 873	**-**

38. Fair value adjustments

Investment property (Fair value model)	4 675 374	-

39. Gains or losses on disposal of assets and liabilities

Property Plant and Equipment	1 253 628	-

40. Auditors' remuneration

Fees	1 975 124	1 965 957

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

41. Cash generated from operations

Deficit	(15 234 878)	(4 516 458)
Adjustments for:		
Depreciation and amortisation	25 959 074	16 716 510
Gain/Loss on sale of assets and liabilities	(1 253 628)	-
Fair value adjustments	(4 675 374)	-
Debt impairment	67 732	(2 495 646)
Movements in retirement benefit assets and liabilities	5 127 060	3 915 481
Movements in provisions	478 014	3 186 285
Prior year adjustment to income from agency fees	-	(166 740)
Adjustment to grant revenue for unspent grant deducted from Equitable Share	(3 200 000)	-
Changes in working capital:		
Inventories	(209 543)	406 046
Consumer debtors	(6 218 719)	(11 268 492)
Other receivables from non-exchange transactions	(12 906 329)	(21 100)
Construction contracts and receivables	(934 318)	-
Payables from exchange transactions	29 947 074	10 672 434
VAT	(1 355 988)	3 016 148
Unspent conditional grants and receipts	571 638	(8 352 912)
Consumer deposits	131 961	314 683
	16 293 776	**11 406 239**

42. Commitments

Authorised capital expenditure

Already approved and contracted for

• Infrastructure	5 209 381	1 275 297
• Other	6 442 390	-
	11 651 771	**1 275 297**

This committed expenditure will be financed by:

Government Grants	5 209 381	1 275 297
Own resources	6 442 390	-
	11 651 771	**1 275 297**

As at 30 June 2014 the following commitments existed:

Paving and Stormwater Ext.3: Contractor : Bakgalaka Holdings; Contract number : TS023013/14. The total budgeted amount for the project is R 4,383,026. An amount of R 2,707 612 had been spend. The project is still committed for the balance of R 1,675 413

Triotic Protection Services: Contract number CS 17- 2012/13. The company had been appointed for security and protection of assets of the municipality. The contract amount is R 9,615,504 over the folowing three years. The amount spent is R 3,173,113 leaving a commitment as at 30 June 2014 to an amount of R 6,442,390.

Bulk Stormwater Phase 3 Extension 5 &6 : consulting engineer had been appointed to commence with the planning phase of the project. The tender to construct had been awarded to MT Maruma Trading Enterprise, Contract number TS03-2013/14 on 16 January 2012 to an amount of R 4, 213,781. A total amount of R 679 813 had been paid towards this project for the contractor fees. The project is still committed with an amount of R 3,533,968.

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

43. Contingencies

Contingent liabilities

The following contingent liabilities existed at year-end:

	2014	2013
VD Transcribers Consultants vs Mookgophong Local Municipality Claiming against the Municipality for services rendered. The municipality are contesting the authenticity of the claim. Estimated amount of the claim:	53 500	-
MV Chauke vs SVJ Maphondo & others Assault against employee. Municipality bearing the cost on behalf of the victimised employee. Estimated legal costs:	120 000	-
NP Magwala vs S Kekana & others Assault against employee. Municipality bearing the cost on behalf of the victimised employee. Estimated legal costs:	120 000	-
Maluleka vs Mookgophong Local Municipality Unfair dismissal claim against the municipality. Outcome of hearing is awaited. Estimated legal cost:	150 000	-
SAMWU vs Mookgophong Local Municipality Alleged unfair labour practice in respect of appointments. Estimated legal cost:	90 000	-
George Gerbert Jackson vs Mookgophong Local Municipality Claim against the municipality for injuries on municipal premises. Estimated legal costs and damages:	180 000	-
Chauke Shirelo David vs Mookgophong Local Municipality Municipal official involved in an accident. Claimant instituted legal action against the municipality. Estimated claim and legal costs:	60 000	-
XW Ngobeni vs Mookgophong Local Municipality Former employee is claiming alleged short payment on salary while in employment. Amount claimed:	-	140 086
	773 500	**140 086**

Contingent assets

The following contingent assets existed at year-end:

	2014	2013
JF de Beer vs Mookgophong Municipality Court ruled in favour of municipality, with cost to be paid by the applicant after taxation took place. The anticipated amount is :	556 000	556 000
PK Storm vs Mookgophong Municipality Court ruled in favour of municipality, with cost to be paid by the applicant after taxation took place. The anticipated amount is :	-	186 000
	556 000	**742 000**

44. Related parties

The compensation of the key management personnel is disclosed in note 33 to the annual financial statements.

45. Prior period errors

The provision for debt impairment with regards to the consumer debtors was restated due to previous year audit findings.

Figures in Rand	2014	2013

45. Prior period errors (continued)

A restatement was made with regards to the provision for traffic fines as well as the provision for debt impairment.

Property, Plant and Equipment as well as the accumulated depreciation was restated.

Income from agency services amounting to R166 740 relating to the 2012/ 2013 financial year was incorrectly accounted for in the 2013/2014 financial year. A restatement of the income from agency services was done to exclude the income in the 2013/2014 financial year.

The correction of the error(s) results in adjustments as follows:

	2014	2013
Statement of financial position		
Property, plant and equipment	-	1 188 646
Investment Property	-	(732 443)
Fire Claim Receivable	-	166 740
Provision for traffic fines	-	159 250
Provision for traffic fines impairment	-	(124 516)
Accumulated Surplus or Deficit	-	321 134
Provision for impairment - Consumer Debtors	-	5 832 546
Provision for impairment VAT portion - Consumer Debtors	-	(2 889 361)
VAT portion - Consumer debtors	-	2 230 466
VAT Receivable	-	1 191 238
Trade Payables	-	(1 850 133)
Statement of Financial Performance		
Debt Impairment	-	(5 832 546)
Depreciation	-	(812 071)
Income from agency services	-	(166 740)

46. Comparative figures

Certain comparative figures have been reclassified:

The revenue for the 2012/2013 financial year as per the annual financial statements was reconciled to the 2012/2013 billing reports and a reclassification with zero net effect was made between the different revenue types.

The current and non-current provisions relating to employee costs were reclassified as employee benefit obligations.

Property,Plant and Equipment amounting to R60 700 was reclassified as Non-Current Assets Held-for-Sale in the prior year due to council resolution.

The effects of the reclassification are as follows:

	2014	2013
Statement of financial position		
Current Provision	5 140 714	4 150 121
Employee benefit obligations	(7 184 366)	(6 072 277)
Non-Current Assets Held For Sale	-	60 700
Non-current provision	2 043 652	1 922 156
Property Plant and Equipment	-	(60 700)
Statement of Financial Performance		
Interest received - outstanding receivables	-	918 071
Property Rates	-	(171)
Service Charges - Electricity	-	(1 441 652)
Service Charges- Refuse	-	211 534
Service Charges -Sewerage & Sanitation	-	302 358
Service Charges - Water	-	9 860

Corrections were made to other disclosures such as the fruitless and wasteful, irregular and unauthorised expenditure:

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

46. Comparative figures (continued)

Corrections on other disclosures:		
Fruitless and Wasteful Expenditure		
Incurred during the year	-	69 069
Irregular Expenditure		
Opening balance	-	(5 070 254)
Current Year	-	5 200 424
Transfer to receivables for recovery - not condoned	-	(129 170)
Unauthorised Expenditure		
Transfer to receivables for recovery - not condoned	-	3 099 673

47. Risk management

Liquidity risk

The municipality’s risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. Customers are independently rated,based on their average consumption per month. The credit quality of the consumer or tax-payer is also assessed, taking into account it's financial position, past experience and other factors (when available).

Risk limits are annually reviewed by the council in a form of deposits payable or bank guarantees, before opening a municipal account. Once a consumer is in default, the amount of deposit payable is adjusted to the average of three months consumption. Assessment rates are collectable in terms of the Municipal Property Rates Act 2004, Act 6 of 2004. Municipal accounts in arrear are subject to the charge of interest equals a percentage of the capital amount in arrear as determined by council.
Municipal accounts are mainly settled in cash received at the different paypoints or direct banking methods. Credit risk is further limited to a regular updating of the Indigent consumer database. These category of consumers are benefiting from zero to low charges of consumption and assessment rates rebates and are financed through the Equitable Share subsidy received from National Government.

Market risk

Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality’s income and operating cash flows are substantially independent of changes in market interest rates.

48. Going concern

We draw attention to the fact that at 30 June 2014, the municipality had an accumulated surplus of R 179 305 427 and that the municipality's total assets exceed its liabilities by R 179 305 427.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

49. Events after the reporting date

There were no events after the reporting date, 30 June 2014, known to management that can lead to significant changes in the financial statements.

50. Unauthorised expenditure

Reconciliation of unauthorised expenditure:

	2014	2013
Opening balance	14 055 281	16 188 465
Approved by Council or condoned	(8 235 479)	-
Transfer to receivables for recovery or repaid to creditor	(3 200 000)	(8 697 000)
Unauthorised expenditure incurred during the year	15 315 687	6 563 816
	17 935 489	**14 055 281**

The details of the unauthorised expenditure is as follows:

Details of unauthorised expenditure	Disciplinary steps taken / criminal proceedings	
2010/2011		
Conditional Grants spent on operational expenses	Reported to Council. R11 897 000 repaid to National Treasury	12 151 865
2011/2012		
Over expenditure on current budget	Reported to Council & MPAC (matter resolved)	1 671 633
MIG Grant spent on operational expenses	Reported to Council, to be repaid to National Treasury.	2 364 937
2012/2013		
Over expenditure on current budget	Reported to Council & MPAC (matter resolved)	6 563 816
2013/2014		
Over expenditure on current budget	Still to be reported to Council	15 315 687

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

51. Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure:

	2014	2013
Opening balance	548 050	163 753
Fruitless and wasteful expenditure incurred during the year	2 068 473	384 297
Condoned or written off by Council	(548 050)	-
	2 068 473	**548 050**

The fruitless and wasteful expenditure incurred are as follows:

Details of the fruitless and wasteful expenditure	Disciplinary steps taken / criminal proceedings	
2011/2012		
Services disconnected at Truckstop while interdict was applicable. Court ruled against Municipality with costs	Reported to Council & MPAC (matter resolved)	57 654
Interest and penalties paid on late payments	Reported to Council & MPAC (matter resolved)	106 099
2012/2013		
Interest on Escom account late payments	Reported to Council & MPAC (matter resolved)	383 520
Interest on Pension fund late payments	Reported to Council & MPAC (matter resolved)	777
2013/2014		
Interest on Escom account late payments	Still to be reported to Council	1 896 955
Interest on late payment to SARS	Still to be reported to Council	171 518
		-

52. Irregular expenditure

	2014	2013
Opening balance	24 675 316	21 635 261
Add: Irregular Expenditure - current year	-	3 169 225
Transfer to receivables for recovery - not condoned	-	(129 170)
	24 675 316	**24 675 316**

Figures in Rand		2014	2013

52. Irregular expenditure (continued)

Details of irregular expenditure

2010/2011			
Procurement in prior years affected current expenses :			
Tender documents for the appointment of service providers prior to 2010/11 could not be provided. Payments to these service providers in the current year amount to:	Deviations to an amount of R803 313 approved by Council		5 911 962
Procurement done without obtaining three written price quotations:			
'Transactions between R10 000 and R200 000 without three quotations	Deviation to an amount of R244 972 approved by Council		254 972
Discrepancies identified in the evaluation of tenders:			
Bidding not advertised for the required minimum time, specifications not approved by the accounting officer; the specifications did not indicate that it would be evaluated on the 90/10 preference point system; and the winning bidder did not submit compensation fund registration certificate, etc.	Deviation to an amount of R2 283 277 approved by Council		2 283 277
Deviation from Supply Chain Regulations:			
Purchasing of BMW Sedan	MPAC still to report back to council		383 554
Procurement done with service providers in employment of the state	MPAC still to report back to council		45 252
Irregular expenses as disclosed in a Fraud investigation report:			
Irregularities regarding temporary workers cash pay-outs. (Verveen F1)	Reported to Council. In respect of the Verveen report dated 11 March 2011, the Municipal Manager; Chief Financial Officer and Corporate Services Manager were suspended and eventually discharged with a severance package. Charges were laid against other officials and it was reported to the Auditor-general. Council awaits HAWKS investigation report.		124 849
Irregular appointment of Corporate Services Manager (Verveen F2)	Reported to Council. In respect of the Verveen report dated 11 March 2011, the Municipal Manager; Chief Financial Officer and Corporate Services Manager were suspended and eventually discharged with a severance package. Charges were laid against other officials and it was reported to the Auditor-general. Council awaits HAWKS investigation report.		540 000
Irregular appointment of an attorney (Verveen F3)	Reported to Council. In respect of the Verveen report dated 11 March 2011, the Municipal Manager; Chief Financial Officer and Corporate Services Manager were suspended and eventually discharged with a severance package. Charges were laid against other officials and it was reported to the Auditor-general. Council awaits HAWKS investigation report.		313 404

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

52. Irregular expenditure (continued)

Irregular award of tenders to employees (Verveen F4)	Reported to Council. In respect of the Verveen report dated 11 March 2011, the Municipal Manager; Chief Financial Officer and Corporate Services Manager were suspended and eventually discharged with a severance package. Charges were laid against other officials and it was reported to the Auditor-general. Council awaits HAWKS investigation report.		95 330
Irregular appointment of Electricians (Verveen F6)	Reported to Council. In respect of the Verveen report dated 11 March 2011, the Municipal Manager; Chief Financial Officer and Corporate Services Manager were suspended and eventually discharged with a severance package. Charges were laid against other officials and it was reported to the Auditor-general. Council awaits HAWKS investigation report.		356 000
Irregular award of tender for the supply of protective clothing (Verveen F7)	Reported to Council. In respect of the Verveen report dated 11 March 2011, the Municipal Manager; Chief Financial Officer and Corporate Services Manager were suspended and eventually discharged with a severance package. Charges were laid against other officials and it was reported to the Auditor-general. Council awaits HAWKS investigation report.		188 523
Irregular award of tender to supply refuse bins (Verveen F8)	Reported to Council. In respect of the Verveen report dated 11 March 2011, the Municipal Manager; Chief Financial Officer and Corporate Services Manager were suspended and eventually discharged with a severance package. Charges were laid against other officials and it was reported to the Auditor-general. Council awaits HAWKS investigation report.		405 000
Irregular award of tender to erect a palisade fence (Verveen F9)	Reported to Council. In respect of the Verveen report dated 11 March 2011, the Municipal Manager; Chief Financial Officer and Corporate Services Manager were suspended and eventually discharged with a severance package. Charges were laid against other officials and it was reported to the Auditor-general. Council awaits HAWKS investigation report.		372 296
Irregular appointment of Chief Financial Officer (Verveen F11)	Reported to Council. In respect of the Verveen report dated 11 March 2011, the Municipal Manager; Chief Financial Officer and Corporate Services Manager were suspended and eventually discharged with a severance package. Charges were laid against other officials and it was reported to the Auditor-general. Council awaits HAWKS investigation report.		578 000
Irregular appointment of Electrician and Intern with regards to nepotism (Verveen F13)	Reported to Council. In respect of the Verveen report dated 11 March 2011, the Municipal Manager; Chief Financial Officer and Corporate Services Manager were suspended and eventually discharged with a severance package. Charges were laid against other officials and it was reported to the Auditor-general. Council awaits HAWKS investigation report.		265 000

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

52. Irregular expenditure (continued)

Irregular award of tenders-various uninvestigated cases (Verveen F14)	Reported to Council. In respect of the Verveen report dated 11 March 2011, the Municipal Manager; Chief Financial Officer and Corporate Services Manager were suspended and eventually discharged with a severance package. Charges were laid against other officials and it was reported to the Auditor-general. Council awaits HAWKS investigation report.		4 446 588
2011/2012			
Procurement in prior years affected current expenses:			
Tender documents for the appointment of service providers prior to 2010/11 could not be provided. Payments to these service providers in the current year amounted to:	Council approved deviation to an amount of R2 892 216. Still to be approved by National Treasury.		4 098 343
Procurement done not in terms of Supply Chain Management regulations:			
Not invitations for competitive bids and non-submission of declarations of employment status:	Reported to Council, awaiting resolution.		831 489
Expenditure incurred - deviated from policy and legislation:			
Overtime paid not using the correct formula (Only projected error not the whole population)	Reported to Council, awaiting resolution.		141 422
Councillors' salaries incorrectly calculated	Transferred to receivables. Repayable by councillors.		129 170
2012/2013			
Deviations from Supply Chain Regulations not properly motivated	Reported to Council, awaiting resolution.		3 169 225

Note: "Verveen F" , refers to findings in terms of an investigation done by Verveen Attorneys regarding to fraudulent activities discovered in 2010.

53. Additional disclosure in terms of Municipal Finance Management Act

Audit fees

	2014	2013
Amount paid - current year	(2 518 100)	(1 054 397)
Current year audit fee	1 813 132	1 965 955
Opening balance	1 355 661	444 103
	650 693	**1 355 661**

PAYE , SDL and UIF

	2014	2013
Amount paid - current year	(5 631 602)	(4 746 148)
Current year payroll deductions	5 631 602	4 746 148
	-	-

No payments outstanding at 30 June 2014.

53. Additional disclosure in terms of Municipal Finance Management Act (continued)

Pension and Medical Aid Deductions

	2014	2013
Amount paid - current year	10 329 610	(9 106 161)
Current year payroll deductions and Councillors contributions	(10 329 610)	9 106 161
	-	-

There were no payments outstanding as at 30 June 2014.

VAT

	2014	2013
VAT payable	1 894 736	3 250 727

VAT output payables and VAT input receivables are shown in note 17.

All VAT returns have been submitted throughout the year. Late submissions were due to changes of bank accounts and also due to cashflow constraints.

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2014:

30 June 2014	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
MR Kekana	4 246	39 939	44 185
KS Lamola	5 579	7 359	12 938
	9 825	**47 298**	**57 123**

Councillor M.R Kekana's arrear consumer account is due to the fact that there were no deductions made from the councillor's remuneration to repay the arrear account. Agreements made with councillor to pay off the arrear account. This agreement is in terms of the Credit Control policy of the municipality.

Councillor K.S Lamola's arrear consumer account is due to abnormal water consumption.The account is still under investigation to determine the reason for the high water usage.

During the 2013 financial year there were no elected councillor's that were at any time in arrear with any consumer account in their name.

54. Non-compliance with chapter 11 of the Municipal Finance Management Act

No instances of non-compliance with chapter 11 of the Municipal Finance Management Act was identified as all the deviations from the supply chain management regulations in terms of section 36(2) of the Supply Chain Regulations have been approved by Council.

Figures in Rand	2014	2013

55. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the council and includes a note to the annual financial statements.

The deviations in terms of section 36(2) of the Supply Chain Regulations which have been reported to and approved by Council are as follows:

	2014	2013
Approved in terms of emergency procurement, section 36(1(a)(i)	1 912 469	741 829
Approved in terms of single provider procurement, section 36 (1)(a)(ii)	2 970 327	2 423 965
Approved in terms of minor breaches of the procurement process, section 36(1)(b)	60 329	3 431
	4 943 125	**3 169 225**

56. Distribution Losses

	2014	2013
Distribution Losses - Electricity	8 161 490	8 005 447
Distribution Losses - Water	2 327 480	4 063 216
	10 488 970	**12 068 663**

57. Budget differences

Material differences between budget and actual amounts

The significant differences between the budgeted and actual amounts per the Appropriation Statements are as follow:

Employee Costs: Unexpected major increases in the contributions to the defined benefit and leave provisions.

Material & Bulk Purchases: Major components bought through infrastructure network votes that had to be capitalised.

Depreciation & Asset Impairment: Major impairment cost to some capital projects that could not be foreseen.

Other Expenditure: Contributions to indigent relief and other under budgeted items.

Capital Expenditure:

Roads and Storm Water: Mookgophong Paving & stormwater control Ext. 3 LP/1475/R,ST/12/14: Time delay imposed by the contractor.

Roads and Storm Water: Upgrading of Internal Stormwater Ext. 1&2 LP/1477/R,ST/12/14: Maximum amount paid to Consulting Engineer for the design of the project.

Electricity: Connection of Lines for boreholes & treatment plant: Cash flow did not allow the municipality to commence with the project.

Sanitation: Sewer Outfall, reticulation and yard connection (Phomolong): Maximum amount paid to Consulting Engineer for design project.

Sanitation: Sewer Outfall, reticulation and yard connection (Ext 5 –Top up for WDM Project): Not capitalised yet. Project is managed by Waterberg District. Total value of project will be transferred to Mookgophong after completion.

Sanitation: Upgrading of Nyl pump Oxidation Ponds: Cash flow did not allow the municipality to commence with the project.

Cemetery: Upgrading of Mookgophong Cemetery LP/1474/CF/12/14: Time delay imposed by the contractor.

MOOKGOPHONG LOCAL MUNICIPALITY
Appendix G1
Budgeted Financial Performance (revenue and expenditure by standard classification)
for the year ended 30 June 2014

	2014/2013														2013/2012
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Revenue - Standard															
Governance and administration	**26 048 000**	**3 400 000**	**29 448 000**	**-**		**29 448 000**	**61 298 326**		**31 850 326**	**208 %**	**235 %**				**49 810 813**
Executive and council	2 720 000	-	2 720 000	-		2 720 000	31 360 484		28 640 484	1 153 %	1 153 %				26 617 706
Budget and treasury office	23 213 000	1 900 000	25 113 000	-		25 113 000	29 695 012		4 582 012	118 %	128 %				23 144 554
Corporate services	115 000	1 500 000	1 615 000	-		1 615 000	242 830		(1 372 170)	15 %	211 %				48 553
Community and public safety	**3 039 000**	**-**	**3 039 000**	**-**		**3 039 000**	**9 170 981**		**6 131 981**	**302 %**	**302 %**				**8 670 281**
Community and social services	2 152 000	-	2 152 000	-		2 152 000	8 975 935		6 823 935	417 %	417 %				8 565 183
Sport and recreation	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Public safety	887 000	-	887 000	-		887 000	195 046		(691 954)	22 %	22 %				105 098
Housing	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Health	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Economic and environmental services	**38 465 000**	**-**	**38 465 000**	**-**		**38 465 000**	**43 747 472**		**5 282 472**	**114 %**	**114 %**				**39 223 392**
Planning and development	33 595 000	-	33 595 000	-		33 595 000	43 747 472		10 152 472	130 %	130 %				39 223 392
Road transport	4 870 000	-	4 870 000	-		4 870 000	-		(4 870 000)	- %	- %				-
Environmental protection	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Trading services	**65 872 000**	**(4 600 000)**	**61 272 000**	**-**		**61 272 000**	**11 101 009**		**(50 170 991)**	**18 %**	**17 %**				**18 709 239**
Electricity	41 645 000	(3 400 000)	38 245 000	-		38 245 000	11 061 362		(27 183 638)	29 %	27 %				18 678 588
Water	10 605 000	(1 500 000)	9 105 000	-		9 105 000	39 647		(9 065 353)	- %	- %				30 651
Waste water management	8 733 000	-	8 733 000	-		8 733 000	-		(8 733 000)	- %	- %				-
Waste management	4 889 000	300 000	5 189 000	-		5 189 000	-		(5 189 000)	- %	- %				-
Other	**-**	**-**	**-**	**-**		**-**	**-**		**-**	**DIV/0 %**	**DIV/0 %**				**-**
Other	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Total Revenue - Standard	**133 424 000**	**(1 200 000)**	**132 224 000**	**-**		**132 224 000**	**125 317 788**		**(6 906 212)**	**95 %**	**94 %**				**116 413 725**

MOOKGOPHONG LOCAL MUNICIPALITY
Appendix G1
Budgeted Financial Performance (revenue and expenditure by standard classification)
for the year ended 30 June 2014

	2014/2013											2013/2012			
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Expenditure - Standard															
Governance and administration	**46 071 000**	**(150 000)**	**45 921 000**	**-**	**-**	**45 921 000**	**54 312 843**	**-**	**8 391 843**	**118 %**	**118 %**	**-**	**-**	**-**	**44 395 202**
Executive and council	29 372 000	(150 000)	29 222 000	-	-	29 222 000	15 350 074	-	(13 871 926)	53 %	52 %	-	-	-	15 305 865
Budget and treasury office	8 493 000	(700 000)	7 793 000	-	-	7 793 000	10 850 731	-	3 057 731	139 %	128 %	-	-	-	12 822 280
Corporate services	8 206 000	700 000	8 906 000	-	-	8 906 000	28 112 038	-	19 206 038	316 %	343 %	-	-	-	16 267 057
Community and public safety	**9 215 000**	**-**	**9 215 000**	**-**	**-**	**9 215 000**	**13 555 788**	**-**	**4 340 788**	**147 %**	**147 %**	**-**	**-**	**-**	**11 740 856**
Community and social services	2 207 000	-	2 207 000	-	-	2 207 000	13 174 703	-	10 967 703	597 %	597 %	-	-	-	10 951 140
Sport and recreation	2 870 000	-	2 870 000	-	-	2 870 000	-	-	(2 870 000)	- %	- %	-	-	-	-
Public safety	4 138 000	-	4 138 000	-	-	4 138 000	381 085	-	(3 756 915)	9 %	9 %	-	-	-	789 716
Housing	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Health	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Economic and environmental services	**17 229 000**	**(3 100 000)**	**14 129 000**	**-**	**-**	**14 129 000**	**70 269 906**	**-**	**56 140 906**	**497 %**	**408 %**	**-**	**-**	**-**	**62 787 385**
Planning and development	5 751 000	(600 000)	5 151 000	-	-	5 151 000	70 269 906	-	65 118 906	1 364 %	1 222 %	-	-	-	62 787 385
Road transport	11 478 000	(2 500 000)	8 978 000	-	-	8 978 000	-	-	(8 978 000)	- %	- %	-	-	-	-
Environmental protection	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Trading services	**58 650 000**	**2 000 000**	**60 650 000**	**-**	**-**	**60 650 000**	**2 414 118**	**-**	**(58 235 882)**	**4 %**	**4 %**	**-**	**-**	**-**	**2 006 743**
Electricity	40 622 000	3 000 000	43 622 000	-	-	43 622 000	1 030 220	-	(42 591 780)	2 %	3 %	-	-	-	609 189
Water	6 363 000	(600 000)	5 763 000	-	-	5 763 000	1 086 848	-	(4 676 152)	19 %	17 %	-	-	-	984 345
Waste water management	6 233 000	-	6 233 000	-	-	6 233 000	-	-	(6 233 000)	- %	- %	-	-	-	-
Waste management	5 432 000	(400 000)	5 032 000	-	-	5 032 000	297 050	-	(4 734 950)	6 %	5 %	-	-	-	413 209
Other	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**DIV/0 %**	**DIV/0 %**	**-**	**-**	**-**	**-**
Other	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Total Expenditure - Standard	**131 165 000**	**(1 250 000)**	**129 915 000**	**-**	**-**	**129 915 000**	**140 552 655**	**-**	**10 637 655**	**108 %**	**107 %**	**-**	**-**	**-**	**120 930 186**
Surplus/(Deficit) for the year	**2 259 000**	**50 000**	**2 309 000**	**-**		**2 309 000**	**(15 234 867)**		**(17 543 867)**	**(660)%**	**(674)%**				**(4 516 461)**

MOOKGOPHONG LOCAL MUNICIPALITY
Appendix G2
Budgeted Financial Performance (revenue and expenditure by municipal vote)
for the year ended 30 June 2014

	2014/2013														2013/2012
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Revenue by Vote															
Political Office Bearers	-	-	-	-		-	1 454 157		1 454 157	DIV/0 %	DIV/0 %				48 278
Municipal Manager	29 904 000	-	29 904 000	-		29 904 000	29 906 326		2 326	100 %	100 %				26 569 429
Budget and Treasury	24 903 000	1 900 000	26 803 000	-		26 803 000	29 695 012		2 892 012	111 %	119 %				23 144 554
Landuse Management, Infrastructural Development & Planning	67 744 000	(4 900 000)	62 844 000	-		62 844 000	54 848 482		(7 995 518)	87 %	81 %				57 932 631
Corporate Services	145 000	1 500 000	1 645 000	-		1 645 000	242 830		(1 402 170)	15 %	167 %				48 553
Community and Social Services	10 728 000	300 000	11 028 000	-		11 028 000	9 170 981		(1 857 019)	83 %	85 %				8 670 281
Example 7 - Vote7	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Example 8 - Vote8	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Example 9 - Vote9	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Example 10 - Vote10	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Example 11 - Vote11	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Example 12 - Vote12	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Example 13 - Vote13	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Example 14 - Vote14	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Example 15 - Vote15	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Total Revenue by Vote	**133 424 000**	**(1 200 000)**	**132 224 000**	**-**		**132 224 000**	**125 317 788**		**(6 906 212)**	**95 %**	**94 %**				**116 413 726**
Expenditure by Vote to be appropriated															
Political Office Bearers	9 207 000	250 000	9 457 000	-	-	9 457 000	8 248 568	-	(1 208 432)	87 %	90 %	-	-	-	8 141 409
Municipal Manager	11 435 000	(400 000)	11 035 000	-	-	11 035 000	7 101 506	-	(3 933 494)	64 %	62 %	-	-	-	7 164 453
Budget and Treasury	13 140 000	(700 000)	12 440 000	-	-	12 440 000	10 850 731	-	(1 589 269)	87 %	83 %	-	-	-	12 822 281
Landuse Management, Infrastructural Development & Planning	69 965 000	(400 000)	69 565 000	-	-	69 565 000	72 386 974	-	2 821 974	104 %	103 %	-	-	-	64 380 919
Corporate Services	11 162 000	700 000	11 862 000	-	-	11 862 000	28 112 038	-	16 250 038	237 %	252 %	-	-	-	16 267 057
Community and Social Services	16 255 000	(700 000)	15 555 000	-	-	15 555 000	13 852 838	-	(1 702 162)	89 %	85 %	-	-	-	12 154 065
Example 7 - Vote7	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 8 - Vote8	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 9 - Vote9	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 10 - Vote10	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 11 - Vote11	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 12 - Vote12	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 13 - Vote13	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 14 - Vote14	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 15 - Vote15	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Total Expenditure by Vote	**131 164 000**	**(1 250 000)**	**129 914 000**	**-**	**-**	**129 914 000**	**140 552 655**	**-**	**10 638 655**	**108 %**	**107 %**	**-**	**-**	**-**	**120 930 184**
Surplus/(Deficit) for the year	**2 260 000**	**50 000**	**2 310 000**	**-**		**2 310 000**	**(15 234 867)**		**(17 544 867)**	**(660)%**	**(674)%**				**(4 516 458)**

MOOKGOPHONG LOCAL MUNICIPALITY
Appendix G3
Budgeted Financial Performance (revenue and expenditure)
for the year ended 30 June 2014

	2014/2013														2013/2012
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Revenue By Source															
Property rates	19 969 000	1 400 000	21 369 000	-		21 369 000	21 748 627		379 627	102 %	109 %				16 902 220
Service charges - electricity revenue	41 613 000	(3 400 000)	38 213 000	-		38 213 000	33 112 438		(5 100 562)	87 %	80 %				30 475 731
Service charges - water revenue	6 587 000	(1 500 000)	5 087 000	-		5 087 000	5 167 168		80 168	102 %	78 %				3 950 644
Service charges - sanitation revenue	4 747 000	-	4 747 000	-		4 747 000	4 086 403		(660 597)	86 %	86 %				3 775 049
Service charges - refuse revenue	4 879 000	300 000	5 179 000	-		5 179 000	4 309 755		(869 245)	83 %	88 %				3 590 843
Rental of facilities and equipment	119 000	-	119 000	-		119 000	260 538		141 538	219 %	219 %				147 889
Interest earned - external investments	40 000	-	40 000	-		40 000	97 217		57 217	243 %	243 %				297 819
Interest earned - outstanding debtors	3 200 000	500 000	3 700 000	-		3 700 000	5 849 367		2 149 367	158 %	183 %				3 849 884
Fines	181 000	-	181 000	-		181 000	283 828		102 828	157 %	157 %				43 463
Agency services	3 492 000	-	3 492 000	-		3 492 000	4 217 659		725 659	121 %	121 %				4 768 656
Transfers recognised - operational	33 435 000	29 014 000	62 449 000	-		62 449 000	32 554 000		(29 895 000)	52 %	97 %				29 287 322
Other revenue	310 000	1 500 000	1 810 000	-		1 810 000	1 315 796		(494 204)	73 %	424 %				645 617
Gains on disposal of PPE and Fair value adjustment	-	-	-	-		-	5 929 002		5 929 002	DIV/0 %	DIV/0 %				-
Total Revenue (excluding capital transfers and contributions)	**118 572 000**	**27 814 000**	**146 386 000**	**-**		**146 386 000**	**118 931 798**		**(27 454 202)**	**81 %**	**100 %**				**97 735 137**

MOOKGOPHONG LOCAL MUNICIPALITY
Appendix G3
Budgeted Financial Performance (revenue and expenditure)
for the year ended 30 June 2014

	2014/2013														2013/2012
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Expenditure By Type															
Employee related costs	42 894 000	-	42 894 000	-	-	42 894 000	47 897 880	-	5 003 880	112 %	112 %	-	-	-	42 351 462
Remuneration of councillors	3 034 000	250 000	3 284 000	-	-	3 284 000	3 148 355	-	(135 645)	96 %	104 %	-	-	-	2 858 289
Debt impairment	1 300 000	-	1 300 000		-	1 300 000	67 732	-	(1 232 268)	5 %	5 %	-	-	-	(2 495 645)
Depreciation & asset impairment	17 244 000	(500 000)	16 744 000		-	16 744 000	25 959 074	-	9 215 074	155 %	151 %	-	-	-	16 716 510
Finance charges	-	-	-	-	-	-	3 822 998	-	3 822 998	DIV/0 %	DIV/0 %	-	-	-	1 343 086
Bulk purchases	31 682 000	3 500 000	35 182 000	-	-	35 182 000	35 095 115	-	(86 885)	100 %	111 %	-	-	-	32 125 353
Other materials	10 232 000	(2 500 000)	7 732 000	-	-	7 732 000	5 296 986	-	(2 435 014)	69 %	52 %	-	-	-	4 156 022
Contracted services	5 743 000	1 200 000	6 943 000	-	-	6 943 000	6 942 278	-	(722)	100 %	121 %	-	-	-	7 431 131
Other expenditure	19 033 000	(3 200 000)	15 833 000	-	-	15 833 000	16 997 619	-	1 164 619	107 %	89 %	-	-	-	16 443 975
Total Expenditure	**131 162 000**	**(1 250 000)**	**129 912 000**	**-**	**-**	**129 912 000**	**145 228 037**	**-**	**15 316 037**	**112 %**	**111 %**	**-**	**-**	**-**	**120 930 183**
Surplus/(Deficit)	**(12 590 000)**	**29 064 000**	**16 474 000**	**-**		**16 474 000**	**(26 296 239)**		**(42 770 239)**	**(160)%**	**209 %**				**(23 195 046)**
Transfers recognised - capital	14 852 000	-	14 852 000	-		14 852 000	11 061 362		(3 790 638)	74 %	74 %				18 678 588
Surplus/(Deficit) after capital transfers & contributions	**2 262 000**	**29 064 000**	**31 326 000**	**-**		**31 326 000**	**(15 234 877)**		**(46 560 877)**	**(49)%**	**(674)%**				**(4 516 458)**
Surplus/(Deficit) after taxation	**2 262 000**	**29 064 000**	**31 326 000**	**-**		**31 326 000**	**(15 234 877)**		**(46 560 877)**	**(49)%**	**(674)%**				**(4 516 458)**
Surplus/(Deficit) attributable to municipality	**2 262 000**	**29 064 000**	**31 326 000**	**-**		**31 326 000**	**(15 234 877)**		**(46 560 877)**	**(49)%**	**(674)%**				**(4 516 458)**
Surplus/(Deficit) for the year	**2 262 000**	**29 064 000**	**31 326 000**	**-**		**31 326 000**	**(15 234 877)**		**(46 560 877)**	**(49)%**	**(674)%**				**(4 516 458)**

MOOKGOPHONG LOCAL MUNICIPALITY
Appendix G4
Budgeted Capital Expenditure by vote, standard classification and funding
for the year ended 30 June 2014

	2014/2013											2013/2012			
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Capital expenditure - Vote															
Multi-year expenditure															
Budget and Treasury	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Community and Social Services	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Corporate Services	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Electricity	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Executive and Council	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Housing	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Planning and Development	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Public Safety	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Sport and Recreation	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Waste Management	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Waste Water Management	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Water	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 13 - Vote13	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 14 - Vote14	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 15 - Vote15	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Capital multi-year expenditure sub-total	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**DIV/0 %**	**DIV/0 %**	**-**	**-**	**-**	**-**
Single-year expenditure															
Example 1 - Vote1	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 2 - Vote2	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 3 - Vote3	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 4 - Vote4	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 5 - Vote5	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 6 - Vote6	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 7 - Vote7	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 8 - Vote8	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 9 - Vote9	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 10 - Vote10	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 11 - Vote11	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 12 - Vote12	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 13 - Vote13	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 14 - Vote14	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 15 - Vote15	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Capital single-year expenditure sub-total	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**DIV/0 %**	**DIV/0 %**	**-**	**-**	**-**	**-**
Total Capital Expenditure - Vote	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**DIV/0 %**	**DIV/0 %**	**-**	**-**	**-**	**-**

MOOKGOPHONG LOCAL MUNICIPALITY
Appendix G4
Budgeted Capital Expenditure by vote, standard classification and funding
for the year ended 30 June 2014

	2014/2013														2013/2012
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Capital Expenditure - Standard															
Governance and administration	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**DIV/0 %**	**DIV/0 %**	**-**	**-**	**-**	**-**
Executive and council	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Budget and treasury office	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Corporate services	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Community and public safety	**2 000 000**	**3 000 000**	**5 000 000**	**-**	**-**	**5 000 000**	**4 262 943**	**-**	**(737 057)**	**85 %**	**213 %**	**-**	**-**	**-**	**-**
Community and social services	2 000 000	3 000 000	5 000 000	-	-	5 000 000	4 262 943	-	(737 057)	85 %	213 %	-	-	-	-
Sport and recreation	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Public safety	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Housing	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Health	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Economic and environmental services	**6 068 000**	**1 002 000**	**7 070 000**	**-**	**-**	**7 070 000**	**3 768 273**	**-**	**(3 301 727)**	**53 %**	**62 %**	**-**	**-**	**-**	**6 630 430**
Planning and development	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Road transport	6 068 000	1 002 000	7 070 000	-	-	7 070 000	3 768 273	-	(3 301 727)	53 %	62 %	-	-	-	6 630 430
Environmental protection	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Trading services	**10 834 000**	**(6 802 000)**	**4 032 000**	**-**	**-**	**4 032 000**	**1 930 908**	**-**	**(2 101 092)**	**48 %**	**18 %**	**-**	**-**	**-**	**9 162 534**
Electricity	850 000	-	850 000	-	-	850 000	-	-	(850 000)	- %	- %	-	-	-	-
Water	4 000 000	(3 260 000)	740 000	-	-	740 000	756 917	-	16 917	102 %	19 %	-	-	-	9 162 534
Waste water management	5 984 000	(3 542 000)	2 442 000	-	-	2 442 000	1 173 991	-	(1 268 009)	48 %	20 %	-	-	-	-
Waste management	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Other	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**DIV/0 %**	**DIV/0 %**	**-**	**-**	**-**	**-**
Other	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Total Capital Expenditure - Standard	**18 902 000**	**(2 800 000)**	**16 102 000**	**-**	**-**	**16 102 000**	**9 962 124**	**-**	**(6 139 876)**	**62 %**	**53 %**	**-**	**-**	**-**	**15 792 964**
Funded by:															
National Government	14 852 000	(1 600 000)	13 252 000	-		13 252 000	9 027 806		(4 224 194)	68 %	61 %				15 792 964
Provincial Government	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
District Municipality	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Other transfers and grants	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Transfers recognised - capital	**14 852 000**	**(1 600 000)**	**13 252 000**	**-**		**13 252 000**	**9 027 806**		**(4 224 194)**	**68 %**	**61 %**				**15 792 964**
Public contributions & donations	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Borrowing	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Internally generated funds	4 050 000	(1 200 000)	2 850 000	-		2 850 000	934 318		(1 915 682)	33 %	23 %				-
Total Capital Funding	**18 902 000**	**(2 800 000)**	**16 102 000**	**-**		**16 102 000**	**9 962 124**		**(6 139 876)**	**62 %**	**53 %**				**15 792 964**

MOOKGOPHONG LOCAL MUNICIPALITY
Appendix G5
Budgeted Cash Flows
for the year ended 30 June 2014

	2014/2013								2013
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Final Budget	Actual Outcome	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Cash flow from operating activities									
Ratepayers and other	85 136 000	-	85 136 000	85 136 000	60 179 886	(24 956 114)	71 %	71 %	57 397 529
Government - operating	32 614 000	29 014 000	61 628 000	61 628 000	44 187 000	(17 441 000)	72 %	135 %	39 612 998
Government - capital	15 633 000	-	15 633 000	15 633 000	-	(15 633 000)	- %	- %	-
Interest	40 000	-	40 000	40 000	-	(40 000)	- %	- %	-
Suppliers and employees	(112 618 000)	-	(112 618 000)	(112 618 000)	(88 073 110)	24 544 890	78 %	78 %	(85 604 289)
Net cash flow from/used operating activities	**20 805 000**	**29 014 000**	**49 819 000**	**49 819 000**	**16 293 776**	**(33 525 224)**	**33 %**	**78 %**	**11 406 238**
Cash flow from investing activities									
Capital assets	(18 902 000)	-	(18 902 000)	(18 902 000)	(8 819 687)	10 082 313	47 %	47 %	(18 298 058)
Net cash flow from/used investing activities	**(18 902 000)**	**-**	**(18 902 000)**	**(18 902 000)**	**(8 819 687)**	**10 082 313**	**47 %**	**47 %**	**(18 298 058)**
Cash flow from financing activities									
Repayment of borrowing	-	-	-	-	(466 770)	(466 770)	DIV/0 %	DIV/0 %	(224 593)
Net cash flow from/used financing activities	**-**	**-**	**-**	**-**	**(466 770)**	**(466 770)**	**DIV/0 %**	**DIV/0 %**	**(224 593)**
Net increase/(decrease) in cash held	**1 903 000**	**29 014 000**	**30 917 000**	**30 917 000**	**7 007 319**	**(23 909 681)**	**23 %**	**368 %**	**(7 116 413)**
Cash/cash equivalents at the year begin:					(5 991 957)				1 124 456
Cash/cash equivalents at the year end:	**1 903 000**	**29 014 000**	**30 917 000**	**30 917 000**	**1 015 362**	**(23 909 681)**	**3 %**	**53 %**	